

Edgar Filing: Companhia Vale do Rio Doce - Form 6-K

Companhia Vale do Rio Doce  
Form 6-K  
March 09, 2006

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**United States  
Securities and Exchange Commission  
Washington, D.C. 20549  
FORM 6-K  
Report of Foreign Private Issuer  
Pursuant To Rule 13a-16 or 15d-16  
of the  
Securities Exchange Act of 1934**

For the month of  
March 2006

**Companhia Vale do Rio Doce**  
Avenida Graça Aranha, No. 26  
20005-900 Rio de Janeiro, RJ, Brazil  
(Address of principal executive office)

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

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

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

(Check One) Yes  No

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

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**BOVESPA: VALE3, VALE5  
NYSE: RIO, RIOPR  
LATIBEX: XVALO, XVALP**

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**CRUISING AT HIGH SPEED**

**Performance of CVRD in 2005**

Rio de Janeiro, March 6, 2006 2005 was CVRD's third consecutive year of multiple operational and financial records. In spite of strong cost pressures due to the cyclical rise in prices of raw materials, and the appreciation of the Brazilian Real against the US dollar CVRD's performance continued on its path of growth, as planned in its long-term strategy. Excellent results were made possible by maximized production levels supported by new projects coming on stream, operation at full capacity in most of its units, productivity gains, and the higher prices arising from the strong global demand for mining and metals.

**CVRD's records in 2005**

Shipments of iron ore and pellets, 255,171 million tons.

Shipments of primary aluminum, 447,000 tons.

Shipments of kaolin, 1.218 million tons.

Railroad haulage of general cargo for clients, 26.9 billion net ton kilometer (ntk).

Cargo handling in ports for clients, 30.7 million tons.

Gross revenue, US\$13.4 billion.

Operational profit as measured by adjusted EBIT<sup>a</sup> (earnings before interest and taxes), US\$ 5.4 billion.

Adjusted EBIT margin, 42.5%.

Cash flow as measured by adjusted EBITDA<sup>b</sup> (earnings before interest, taxes, depreciation and amortization), US\$ 6.5 billion.

Net earnings, US\$4.8 billion, or US\$4.20 per share.

Return on equity (ROE), 40.4%.

Capex, US\$ 4.2 billion composed by US\$ 2.6 billion of organic growth, US\$ 757 million of stay in business, and US\$ 800 million of acquisitions.

CVRD has been executing its long-term strategy successfully, taking advantage of the opportunities offered by the economic cycle to invest with the discipline required to grow in a profitable manner and generate considerable value for its shareholders.

Except where otherwise indicated the operational and financial information in this release is based on the consolidated figures in accordance with USGAAP and, with the exception of information on investments and behaviour of markets, quarterly financial statements reviewed by the company's independent auditors. The main subsidiaries that are consolidated are the following: Caemi, Alunorte, Albras, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), Itaco, CVRD Overseas e Rio Doce International Finance.

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CVRD's capital expenditure in the last five years has totaled US\$ 10.5 billion. It has commissioned 14 large projects in iron ore, pellets, ferro alloys, bauxite, alumina, copper, potash, electricity and logistics.

In 2006, CVRD plans to invest US\$ 4.626 billion, of which 77% will be dedicated to promote organic growth.

Currently we have 24 projects being implemented and several others under study.

Return on capital invested (ROIC) in 2005 was 41.5%, higher than the average obtained in the last five years, 33.0%, and well above the estimates for CVRD's weighted average cost of capital.

As a reflection of the process of investment with higher profitability, the total shareholder return of CVRD over the period 2001-2005 reached an annual average of 41.7%.

One of the most serious challenges for a growing company is to reconcile its capital expenditure financing, satisfaction of shareholders' aspirations for dividends, and the preservation of a healthy balance sheet. CVRD has succeeded in meeting these objectives simultaneously.

Along with significant capital expenditure, CVRD has distributed US\$ 4.4 billion in dividends to its shareholders between 2001 and 2005. The amount distributed in 2005, US\$ 1.3 billion, equivalent to US\$ 1.13 per share, was another record broken this year.

Debt leverage, measured as total debt/adjusted EBITDA<sup>c</sup>, reached its lowest level in recent years, 0.77, at the end of 2005. CVRD's financial soundness was recognized by the award of an *investment grade* rating by three of the world's largest rating agencies.

**SELECTED FINANCIAL INDICATORS**

|                                     | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | US\$ million<br><b>2005</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|-----------------------------|
| Gross revenues                      | 2,428       | 3,610       | 3,746       | 8,479       | 13,405                      |
| Adjusted EBIT                       | 822         | 1,405       | 1,461       | 3,123       | 5,432                       |
| Adjusted EBIT margin (%)            | 35.5        | 40.8        | 40.6        | 38.7        | 42.5                        |
| Adjusted EBITDA                     | 1,001       | 1,734       | 1,780       | 3,722       | 6,540                       |
| Net earnings                        | 721         | 1,317       | 1,196       | 2,573       | 4,841                       |
| Earnings per share (US\$)           | 0.63        | 1.14        | 1.04        | 2.23        | 4.20                        |
| Annualized ROE (%)                  | 34.8        | 35.8        | 40.4        | 34.8        | 40.4                        |
| Total debt/ adjusted LTM EBITDA (x) | 1.10        | 0.68        | 0.77        | 1.10        | 0.77                        |
| Capex *                             | 685.7       | 917.0       | 1,851.8     | 1,956.0     | 4,160.5                     |

\* including acquisitions

**BUSINESS OUTLOOK**

With a solid outlook, the global economy is expanding at slightly more than 4% per year, with the developed countries—the US, the 15 of Europe, and Japan—growing at 3%, and the emerging market economies of Asia, Latin America and Eastern Europe at 6%.

The expansion is becoming more balanced between the different regions of the world, which until recently was believed to be possible only through considerable depreciation of the US dollar. However, this has been made possible by the

<sup>1</sup> The figures given for capital expenditure represent cash actually spent, and include spending on acquisitions.

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restructuring of some important economies without requiring expansion of exchange rates volatility. The main implication of this re-balancing is reduction of the risk of a significant slowdown in the global economy as a result of an eventual recession the US economy.

The Japanese economy is returning to normality with the end of deflation and widespread over-capacity, and the significant decrease in non-performing bank loans. For the first time since 1996 bank credit is showing positive growth rates. Prices of commercial property have begun to rise after 14 years of decline, and industrial production is expanding firmly.

The behavior of GDP is becoming less dependent on exports, and the strong rise in the Nikkei-225, of 40% in 2005, translates investors' optimism on the future of Japanese economy. The long restructuring process has enabled companies to capitalize, investing and hiring again, giving a new dynamic to domestic demand.

In Germany, the largest economy in Europe, corporate restructuring has contributed to an increase in productivity, profits and investments. In the short term this generates a negative impact on consumer spending, which tends to reverse as expansion of investments continues. The IFO business climate indicator rose to its highest level since 1994, with positive expectation on the part of both industry and retailers, the latter already anticipating future improvement in consumer spending.

As in Japan, the German economy is beginning to show less dependence on external demand, and, in 2006, for the first time in many years, domestic demand is likely to be the main source of growth of real GDP.

In the US, the low growth of the economy in the fourth quarter of 2005, the weakest since the last quarter of 2002, was due to the effect of several shocks suffered over the July-September period of last year, which have now been absorbed, thus seen as a temporary volatility.

China grew 9.9% in 2005 and is expected to maintain the same rate of expansion this year. Domestic demand is strengthening with the expansion of public investments in infrastructure, which are being accelerated in the first year of the execution of the new five-year plan, and with the return of significant spending on real estate construction in medium-sized cities, characterizing a new cycle of investments.

In Brazil, the obtainment of several primary fiscal surpluses and the austerity in monetary policy contributed to promote a more stable environment, favoring economic growth. Besides that, higher exports and the good liquidity in the global financial markets contributed to generate significant improvement in the balance of payments, reducing its vulnerability. Consequently, a better performance of the economy is expected for 2006.

The world's industrial production indicators point to a solid and more balanced expansion in the coming quarters. In particular, the performance of orders and the relation between this variable and inventories are behaving in a very stable manner.

Thus the global scenario provides grounds for continuation of strong demand for mining and metals.

Reasonably large imbalances persist between global demand and supply for iron ore and alumina which, in spite of the additional capacity being put into operation in the coming months and the projects currently in progress, are not likely to be eliminated in the short-term.

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It is estimated that the seaborne iron ore market reached 675 million tons in 2005, with China importing 275 million tons, representing an increase of 32% over 2004. In January 2006 China's seasonally adjusted imports were another all time record, which demonstrates continuity of the demand pressure in the iron ore market.

In one more production record, CVRD produced 233.9 million tons of iron ore in 2005, 100 million tons more than in 2001. In 2006 the Company expects to increase its iron ore production to 264 million tons, to meet expansion in demand from its clients.

The spot iron ore market continues to be highly active and with prices higher than those for long-term contracts, reflecting the global excess of demand. Purchasers in this market have to face difficulties such as lower quality, price volatility and uncertain shipment frequencies, which harm their competitiveness and make their cash flows unstable. The growth of the global fleet of capesize vessels, and the expansion of capacity of ports in countries such as Brazil, Australia and China, have caused a decline in the prices of freight in the spot market. This reduction, which comparing the April 2005 peak with today's prices is as much as US\$ 15 per ton for the Brazil-China route, results in an important fall in the cost of iron ore for the steelmakers who contract maritime freight in this market.

In the alumina spot market, prices are now over US\$ 600/ton, about 25% of the prices quoted for aluminum on the London Metal Exchange, reflecting increase in global scarcity. Stage 4 of Alunorte, CVRD's alumina refinery, started up at the end of January this year, and Stage 5 will begin operating in March, thus adding 1.9 million tons/year to present capacity. In 2005, CVRD produced 2.6 million tons.

Simultaneously to the expansion of demand there are several types of limitations – much higher costs and supply restrictions of equipment and engineering services, greater relative scarcity of mineral reserves of good quality and substantial size, the need for logistics infrastructure, and the delay in obtaining environmental licenses – all these raise difficulties and a more lagged response of supply to increases in prices of ores and metals.

Systematic operation at full capacity increases the probability of production downtime. Given the restrictions on the supply of replacement parts and inventories at a historically low level, the impact of production problems on prices tends to be magnified. This has been important, for example, in the copper market, imposing an upward bias on prices. Particularly for metals, the growing flow of financial resources into investment funds in commodities, resulting from the allocation of part of the pension funds money to this class of assets, has now begun to constitute a new source of demand, pressuring prices.

Influenced by profound cuts in global production in the second half of 2005, the manganese alloys prices are now recovering slightly, especially high carbon manganese ferro alloys (FeHcMn), in which we saw relatively higher cuts in production between 2004 and 2005. CVRD has kept about one-third of its alloys production capacity idle.

The Brazilian agricultural crop is forecast to be 9.3% larger this year than last year, when it was harmed by drought in the southern region of the country. This reversal will have a positive impact on the performance of CVRD's sales of potash and logistics services.

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**RELEVANT EVENTS**

**Absorption of the shares of Caemi**

On January 26, 2006, the Board of Directors of CVRD approved the merger of all the preferred shares of Caemi Mineração e Metalurgia S.A. (Caemi) outstanding into CVRD. Non-controlling shareholders of Caemi will receive 0.04115 preferred PNA shares issued by CVRD for each preferred share they hold in Caemi. The exchange ratio reflects the performance of the prices of the preferred shares of CVRD and Caemi on the São Paulo Stock Exchange (Bovespa) during the 90 days period ending on January 23, 2006.

The necessary steps for carrying out the merger are being taken, and expected to be concluded at the end of March. CVRD is owner of 100% of the common shares and 40.06% of the preferred shares of Caemi, or 60.23% of its total capital. After the conclusion of the transaction CVRD will own all the shares of Caemi.

With the merger, CVRD's shareholders will benefit from full exposure to the assets of Caemi and from the advantages of the synergies between the two companies. The shareholders of Caemi will start to enjoy these synergies, and the benefits arising from CVRD's high potential for profitable growth, a highly diversified portfolio of world-class assets, a very well-structured dividend policy, and shares with voting right and abundant liquidity on the Bovespa and on the New York Stock Exchange.

**Maintaining the focus on organic growth**

On January 26, 2006 CVRD's Board of Directors approved a capital expenditure budget in the amount of US\$ 4.626 billion, the highest in its history. In 2006, US\$ 3.558 billion will be invested in organic growth, made up of US\$ 3.067 billion in greenfield and brownfield projects, and US\$ 491 million in research and development. The remaining US\$ 1.068 billion will be allocated to stay in business expenditures.

The ferrous minerals business will receive 46% of the total capital expenditure; 17% will be allocated to the aluminum business, 17% to the logistics services area, and 9% to non-ferrous minerals.

More details can be obtained on [www.cvr.com.br](http://www.cvr.com.br), Investor Relations section, under *press releases*.

**Minimum dividend for 2006 of US\$ 1.3 billion**

The Executive Board of CVRD will submit to the Board of Directors a proposal for payment of minimum dividend to shareholders of US\$ 1.3 billion in 2006. Taking into account the issue of new CVRD preferred (PNA) shares to be carried out upon completion of the merger of the shares of Caemi, if this is approved by the Company's shareholders, the dividend per outstanding share, common or preferred, will be US\$ 1.069367781.

**Issue and repurchase of debt securities**

In January 2006 CVRD issued US\$ 1 billion in 10-year bonds with 6.25% annual coupon and yield to investors of 6.254% per year (CVRD 2016). The spread over US treasuries with similar maturity was 190 basis points (bp), contrasting with the

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spread of 288 bp on the issue of CVRD 2013, with 10-year tenor and coupon of 9.0% per year, in August 2003. The CVRD 2016 bond received rating BBB from Standard & Poor's and Baa3 from Moody's.

In parallel to this issue, CVRD repurchased approximately US\$ 176 million of the principal of the CVRD 2013. The basis of these transactions was the focus of CVRD's financial policy on minimization of cost of capital.

**Conclusion of the acquisition of Canico**

In the last quarter of 2005 CVRD acquired 99.2% of Canico Resources Corp., for approximately US\$ 800 million. In February 2006 the acquisition of all the shares of Canico was completed, and they were withdrawn from trading on the Toronto Stock Exchange.

Canico was the owner of the Onça Puma laterite nickel project in the Brazilian state of Pará, which will be developed by CVRD, simultaneously with the Vermelho nickel project.

**Ceará Steel project**

In December 2005 CVRD announced that it will have a 9% stake in Ceará Steel, a steel project in the state of Ceará, Brazil, whose nominal capacity will be 1.5 million tons per year of steel slabs.

CVRD's investment will be US\$ 25 million, and the project has start-up planned for 2009. CVRD will supply 2.5 million tons of pellets annually to Ceará Steel, which will use it as raw material for 100% of the mill's needs. The investment in the Ceará Steel project is part of CVRD's strategy of promoting the consumption of iron ore through minority stakes in steel projects located in Brazil.

**First shipment of coal**

In January the first shipment of Yongcheng anthracite coal, of 40,000 tons, arrived in Brazil from Henan Longyu Energy Resources Co. Ltd., joint venture between CVRD and Chinese companies, located in China.

This event is an important milestone in CVRD's strategy to become a player in the global coal market.

**Sale of stake in Nova Era Silicon**

In February, CVRD sold its entire stake in Nova Era Silicon (NES), 49% of the total capital, to JFE Steel Corporation, for US\$ 14 million.

This divestment is consistent with CVRD's strategic guideline for the manganese business, of focusing on manganese ore and manganese ferro alloys production through wholly owned subsidiaries.

**Sale of stake in the Foz do Chapecó hydroelectric power plant**

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Also in February, CVRD sold its 40% stake in the consortium formed to build and operate the Foz do Chapecó hydroelectric power plant for R\$ 9 million.

**A NEW PLATEAU OF REVENUES**

CVRD's gross revenue in 2005 was US\$ 13.405 billion, an increase of 58.1% over 2004, when gross revenue was US\$ 8.479 billion, and 141.7% greater than in 2003, when it was US\$ 5.545 billion. The 2005 figure not only is a new record, but indicates a change in the overall scale of the Company, with its revenue exceeding the US\$ 10 billion mark for the first time.

The increase of US\$ 4.926 billion in 2005 in relation to the previous year was mainly due to the evolution of the metals and mining cycle, with price variations responsible for 81% of the increase.

Gross revenue for 4Q05, also a quarterly record, was US\$ 3.746 billion, 54.3% more than in 4Q04.

In 2005 ferrous minerals provided 75.0% of gross revenue, products of the aluminum chain – bauxite, alumina and primary aluminum – 10.5%, logistics services 9.1%, and non-ferrous minerals 5.3%.

Revenues from sales to China more than doubled in 2005, from US\$ 996 million in 2004 to US\$ 2.016 billion.

However, CVRD continues to have good geographical diversification of its sales.

The Americas were the primary destination of CVRD's sales in 2005, with 36.5% of total revenue. The Brazilian market was responsible for 26.6% of total revenue, and the US 3.1%. Asia, which in 2005 for the first time produced more steel than all the other regions of the world, followed absorbing 29.2% of CVRD sales, overtaking Europe, now with 28.4%.

If we include sales from the Tubarão palletizing joint ventures, which are not consolidated under US GAAP, the share of Americas in total CVRD revenue decreases to 31.4%, with Brazil having a 21.1% share.

**GROSS REVENUE BY DESTINATION**

|                          | 4Q04         | 3Q05         | 4Q05         | 2004         | %            | US\$ million  |              |
|--------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
|                          |              |              |              |              |              | 2005          | %            |
| <b>Americas</b>          | <b>997</b>   | <b>1,294</b> | <b>1,252</b> | <b>3,352</b> | <b>39.5</b>  | <b>4,898</b>  | <b>36.5</b>  |
| Brazil                   | 678          | 1,006        | 894          | 2,367        | 27.9         | 3,565         | 26.6         |
| USA                      | 134          | 85           | 115          | 389          | 4.6          | 417           | 3.1          |
| Others                   | 185          | 203          | 243          | 596          | 7.0          | 916           | 6.8          |
| <b>Asia</b>              | <b>699</b>   | <b>1,093</b> | <b>1,282</b> | <b>2,189</b> | <b>25.8</b>  | <b>3,917</b>  | <b>29.2</b>  |
| China                    | 345          | 568          | 738          | 996          | 11.7         | 2,016         | 15.0         |
| Japan                    | 220          | 342          | 349          | 788          | 9.3          | 1,231         | 9.2          |
| Others                   | 134          | 183          | 195          | 405          | 4.8          | 670           | 5.0          |
| <b>Europe</b>            | <b>625</b>   | <b>1,015</b> | <b>996</b>   | <b>2,552</b> | <b>30.1</b>  | <b>3,813</b>  | <b>28.4</b>  |
| <b>Rest of the World</b> | <b>107</b>   | <b>208</b>   | <b>216</b>   | <b>386</b>   | <b>4.6</b>   | <b>777</b>    | <b>5.8</b>   |
| <b>Total</b>             | <b>2,428</b> | <b>3,610</b> | <b>3,746</b> | <b>8,479</b> | <b>100.0</b> | <b>13,405</b> | <b>100.0</b> |
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**COST PRESSURES AND THE EFFORTS TO OVERCOME THEM**

Cost of goods sold (COGS) totaled US\$ 6.229 billion in 2005, 52.6% more than in 2004. COGS in 4Q05 was US\$ 1.829 billion, US\$ 621 million, or 51.4% more than in 4Q04.

CVRD, like the other mining and metals companies, is suffering generalized cost pressures derived from the economic cycle, represented by increases in prices of equipment, replacement parts, steel, energy, raw materials and services. The strong appreciation of the Real against the US dollar has increased the scale of these pressures, since approximately 70% of the company's costs are denominated in Brazilian currency.

The increase in prices of products and services was responsible for 55.7% of the growth in COGS in 2005, while volatility of the exchange rate was responsible for 29.6%, and the higher level of production, 14.7%.

Outsourced services, the main item in COGS, representing 23.8% of it and an increment of US\$ 670 million in 2005, contributing for 31.2% of the increase in costs. Changes in the exchange rate and expansion of sales volume respectively contributed US\$ 195 million and US\$ 124 million to the increase in COGS, respectively. There were also increases of US\$ 72 million in expenses on waste removal in the mines, US\$ 57 million in rail freight expenses and US\$ 43 million in maintenance services – all reflecting the higher prices of contracted services.

In the comparison between 4Q05 and 4Q04, outsourced services added US\$ 257 million to the increment of COGS. In 2005 materials costs increased by US\$ 462 million, accounting for 21.5% of the growth in COGS. This increase was influenced by higher prices of replacement parts, such as conveyor belts and tires. In 4Q05 this item totaled US\$ 305 million, 50.2% more than in 4Q04.

Expenses on energy totaled US\$ 1.086 billion in 2005, or 17.4% of COGS. This was an increase of US\$ 325 million compared to 2004, accounting for 15.1% of the enlargement of COGS in 2005. The growth of this item reflected expansion of the Company's activities and the increases in prices of fuel and electricity.

CVRD's consumption of electricity grew by 5.3% in 2005, to 17.619 GWh, of which 38% was spent in the production of aluminum and 8.9% on the ferro-alloys operation.

Expenses on electricity in the aluminum smelter Albras, which for technological reasons is CVRD's most electricity consumption intensive operational unit, increased by 41% from 2004. Higher prices of electricity were responsible for 91% of this increment. The increase of consumption as a result of higher output – from 435,000 tons in 2004 to 446,000 tons – added the remaining 9%.

The average price of fuel oil for CVRD were 21.2% higher yoy, leading to additional expenses on fuels and gases of US\$ 184 million.

In 4Q05 the cost of energy was US\$ 321 million, 31.6% more than in 4Q04.

Higher prices of iron ore and pellets had an important impact on COGS, since expenditures on acquisition of these products increased by US\$ 287 million, 60.5%, in the year. This variation represented 13.4% of the growth in COGS in 2005.

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The volume of iron ore that CVRD bought from other mining companies was 16.430 million tons, 3.1% more than in 2004. The company also bought, for resale to its clients, 9.655 million tons of pellets from the Tubarão joint ventures (Nibrasco, Itabasco, Kobrasco and Hispanobras), compared to 9.347 million in 2004.

In 4Q05, the total value of purchases of iron ore and pellets was US\$ 215 million, 72.0% more than in 4Q04.

Due to the increase in the value of the Company's asset base and the appreciation of the Real against the US dollar, the cost of depreciation and amortization grew by US\$ 199 million, 53.1%, from 2004, contributing 9.3% to the increase in COGS. Over the period 2002 to 2005, in which US\$ 8.9 billion was invested, the Real strengthened by 50.9% against the US dollar, increasing the value of CVRD's fixed assets from US\$ 3.3 billion to US\$ 14.1 billion at the end of 2005. As a result, depreciation changed from US\$ 205 million in 2002 to US\$ 375 million in 2004, and US\$ 574 million in 2005.

Personnel expenses, at US\$ 514 million in the year, or 8.3% of COGS, were US\$ 128 million higher than in the previous year, and responsible for 6.0% of the total increase in costs. The annual raise of 6.5% in employees' salaries, valid for the period July 2005-June 2006, together with the appreciation of the Real, generated a significant part of this growth.

In 4Q05 personnel expenses totaled US\$ 160 million, 48.1% more than in 4Q04.

Sales, general and administrative expenses (SG&A), at US\$ 583 million in 2005, were US\$ 131 million, 29.0% higher than 2004. This was the result of increases in personnel administrative expenses (US\$ 48 million), maintenance expenses (US\$ 35 million) and depreciation (US\$ 20 million).

SG&A in 4Q05 was US\$ 175 million, 31.6% higher than in 4Q04.

Research and development (R&D) expenses reached a record US\$ 277 million in 2005<sup>2</sup>, compared to US\$ 153 million in 2004 and US\$ 82 million in 2003. This increase is derived from execution of the strategy of focus on organic growth, which necessarily means expansion of investments in mineral exploration and feasibility studies on development of mineral deposits in several countries.

The investments in R&D are essential for sustaining the Company's profitable growth in the long term. In the context of a global and multicommodity program, these investments have been carried out in 11 countries, in all the continents, and through a diversified portfolio of minerals: coal, copper, nickel, manganese, potash, phosphate, bauxite and iron ore.

CVRD has undertaken a number of initiatives for reducing operational costs and capital expenditures combined with the obtaining of efficiency gains.

In energy, CVRD has stakes in five hydroelectric power plants that are in operation, and the *take* from these 1,278 GWh in 2005 makes a reduction in its costs possible. In 2005 the economy reached via energy self production as opposed to acquiring energy through long term contracts is estimated at US\$ 45 million. Purchases of electricity have been made in auctions, obtaining in 2005 prices per MWh in average US\$ 12 lower than those on long-term contracts. Such alternatives clearly has limitations, but contributes to reduction of the average cost of this input.

<sup>2</sup> The amount stated for capex on research and development in 2005 in CVRD's January 26, 2006 press release on its capex program was US\$ 290 million. This amount refers to the actual cash disbursements in 2006.

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In the refining of bauxite into alumina, a cogeneration plant of gas and steam will start operating this year, directly reducing the cost of alumina production by US\$ 27 million from 2007 onwards through reduction of energy consumption.

Further, several studies are under way aiming to restructure the energy matrix and adopt energy conservation measures to minimize costs.

Expenses on demurrage – the penalty payments paid for delay in loading of ships at the Company's port terminals were US\$ 21 million in 4Q05, and US\$ 76 million in the whole of 2005, respectively 51.2% and 8.4% lower than in 4Q04 and the whole of 2004, in spite of the growth in volume of shipments.

The procedures put in place to optimize the logistics of iron ore shipment loading have begun to show their first positive effects. For example, in December CVRD achieved dispatch, a premium for loading of vessels before the agreed deadline, at the Ponta da Madeira port terminal.

Demurrage costs are tending to a level considerably lower than those of the last two years. For 2006 we expect demurrage costs per ton shipped in the Company's maritime terminal to be US\$ 0.22, what will represent less than half of the penalties paid in 2004, of US\$ 0.45 per ton.

Our excellence programs, which include maintenance, mine operation and execution of capital expenditure projects, will also result in reduction of costs and productivity gains over the coming years.

**COST OF GOODS SOLD BREAKDOWN**

|                                     | 4Q04         | 3Q05         | 4Q05         | 2004         | %            | 2005         | US\$ million<br>% |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| Personnel                           | 108          | 139          | 160          | 386          | 9.5          | 514          | 8.3               |
| Material                            | 203          | 310          | 305          | 664          | 16.3         | 1,126        | 18.1              |
| Fuels                               | 128          | 164          | 188          | 446          | 10.9         | 630          | 10.1              |
| Electric energy                     | 116          | 109          | 133          | 315          | 7.7          | 456          | 7.3               |
| Outsourced services                 | 217          | 377          | 474          | 813          | 19.9         | 1,483        | 23.8              |
| Acquisition of iron ore and pellets | 125          | 216          | 215          | 474          | 11.6         | 761          | 12.2              |
| Acquisition of other products       | 98           | 83           | 82           | 355          | 8.7          | 332          | 5.3               |
| Depreciation and exhaustion         | 100          | 161          | 164          | 375          | 9.2          | 574          | 9.2               |
| Others                              | 113          | 86           | 108          | 253          | 6.2          | 353          | 5.7               |
| <b>Total</b>                        | <b>1,208</b> | <b>1,645</b> | <b>1,829</b> | <b>4,081</b> | <b>100.0</b> | <b>6,229</b> | <b>100.0</b>      |

**OPERATIONAL PERFORMANCE IS A RECORD**

CVRD's operational profit, measured by adjusted EBIT, was US\$ 5.432 billion in 2005, the highest in the Company's history. Adjusted EBIT was 73.9% higher than in 2004, led by the US\$ 4.726 billion increase in net revenue, partially offset by the US\$ 2.148 billion increase in COGS.

Adjusted EBIT in 4Q05 was US\$ 1.461 billion, almost double of that of 4Q04, US\$ 822 million.

Adjusted EBIT margin was 42.5%, another record, 380 bp more than in the previous year.

In 4Q05 adjusted EBIT margin was 40.6%, 510 bp above that of 4Q04, and 400 bp higher than the average for the last 16 quarters.

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CVRD's cash flow generation in 2005, measured by adjusted EBITDA, at US\$ 6.540 billion, was a new record, 75.7% higher than the adjusted EBITDA of US\$ 3.722 billion in 2004, and 3.7 times the 2002 adjusted EBITDA of US\$ 1.780 billion. This evolution provides a clear view of the change in the dimension of the Company's activities. 4Q05 was the fifteenth consecutive quarter of growth in last-12-months (LTM) adjusted EBITDA, 13.5% higher than the LTM adjusted EBITDA of 3Q05.

The main factors in the US\$ 2.818 billion increase in adjusted EBITDA in 2005 are US\$ 2.309 billion growth in adjusted EBIT, US\$ 220 million increase in depreciation and US\$ 289 million increase in dividends paid by non-consolidated companies.

Dividends received in 2005 totaled US\$ 489 million, compared to US\$ 200 million in the previous year. The highest payment came from Samarco, which distributed US\$ 225 million to CVRD, vs. US\$ 100 million in 2004. The Company also received the following dividends: US\$ 62 million from Usiminas; US\$ 58 million from MRN; US\$ 51 million from GIIC; US\$ 28 million from CSI; US\$ 20 million from Hispanobras; US\$ 16 million from Nibrasco; US\$ 10 million from Itabasco; US\$ 8 million from Valesul, and US\$ 11 million from MRS.

In 2005 the business areas made the following contributions to cash flow: ferrous minerals 84.1%, aluminum 8.4%, logistics 6.3%, and non-ferrous minerals 3.1%. R&D expenditure, not allocated to the business areas, reduced adjusted EBITDA by US\$ 277 million.

**QUARTERLY ADJUSTED EBITDA**

|   | <b>4Q04</b>  | <b>3Q05</b>  | <b>4Q05</b>  | <b>2004</b>  | US\$ million<br><b>2005</b> |
|---|--------------|--------------|--------------|--------------|-----------------------------|
| Net operating revenues                  | 2,317        | 3,445        | 3,598        | 8,066        | 12,792                      |
| COGS                                    | (1,208)      | (1,645)      | (1,829)      | (4,081)      | (6,229)                     |
| SG&A                                    | (133)        | (160)        | (175)        | (452)        | (583)                       |
| Research and development                | (67)         | (104)        | (85)         | (153)        | (277)                       |
| Other operational expenses              | (87)         | (131)        | (48)         | (257)        | (271)                       |
| <b>Adjusted EBIT</b>                    | <b>822</b>   | <b>1,405</b> | <b>1,461</b> | <b>3,123</b> | <b>5,432</b>                |
| Depreciation, amortization & exhaustion | 119          | 171          | 183          | 399          | 619                         |
| Dividends received                      | 60           | 158          | 136          | 200          | 489                         |
| <b>Adjusted EBITDA</b>                  | <b>1,001</b> | <b>1,734</b> | <b>1,780</b> | <b>3,722</b> | <b>6,540</b>                |

**FINANCIAL RESULT**

CVRD posted net financial expenses of US\$ 138 million in 2005, an improvement of US\$ 386 million from 2004.

The change resulted from favorable movements in the three components of this account: financial revenues, financial expenses and monetary variations.

Financial revenue increased from US\$ 82 million in 2004 to US\$ 123 million in 2005, reflecting higher interest rates and higher annual average cash balance.

Financial expenses decreased by US\$ 111 million, down from US\$ 671 million in 2004 to US\$ 560 million in 2005.

The main driver for this decline was lower

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average debt, reduced from US\$ 4.372 billion in 2004 to US\$ 4.095 billion in 2005, reducing interest expenses by US\$ 57 million, and the reduction in losses on derivatives hedging against volatility of aluminum prices, of US\$ 23 million.

Monetary variations contributed for an improvement in the financial result, adding US\$ 234 million, due to the 20.2% appreciation of the Real against the US dollar from 2004 to 2005.

Comparing 4Q05 with 4Q04, there was a negative variation of US\$ 394 million, from revenue of US\$ 58 million in 4Q04 to expense of US\$ 336 million in 4Q05.

Monetary variations had a negative effect of US\$ 441 million on the result, since the Real was in fact weaker in the end of the 4Q05 than in the end of 4Q04. A US\$ 57 million reduction in financial expenses compensated the decline of financial revenues by US\$ 10 million.

**EQUITY INCOME**

Equity income from subsidiaries totaled US\$ 760 million, 40.2% or US\$ 218 million higher than in 2004.

In 4Q05 equity income was US\$ 213 million, vs. US\$ 79 million in 4Q04.

Of total equity income in 2005, companies in the ferrous minerals business contributed with 57.2%, steel companies 25.9%, companies in the aluminum production chain 8.5%, and logistics operations 7.1%.

Among the pelletizing joint ventures, Samarco considerably increased its contribution, from US\$ 117 million in 2004 to US\$ 257 million in 2005. The total of equity income from the investments in these companies – Nibrasco, Hispanobras, Kobrasco, Itabasco, GIIC and Samarco – was US\$ 438 million, 155% more than in 2004.

Equity income from the aluminum business declined to US\$ 65 million in 2005 from US\$ 71 million in 2004. While the contribution of MRN increased from US\$ 57 million to US\$ 64 million, that of Valesul fell from US\$ 14 million to US\$ 1 million, reflecting the strong negative impact of the growth of electricity cost.

CVRD's investment in Henan Longyu Energy Resources Ltd., the Chinese producer of anthracite coal, produced equity income of US\$ 9 million in 2005.

The investments in logistics companies returned US\$ 54 million in 2005, vs. US\$ 33 million in 2004.

Equity income from holdings in the steel industry was US\$ 197 million in 2005, vs. US\$ 271 million in 2004.

**RESULT FROM SHAREHOLDINGS**

|                               | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>%</b>     | <b>2005</b> | R\$ million<br><b>%</b> |
|-------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------------------|
| Iron Ore and Pellets          | 55          | 127         | 128         | 170         | 31.4         | 435         | 57.2                    |
| Aluminum, Alumina and Bauxite | 19          | 15          | 14          | 71          | 13.1         | 65          | 8.6                     |
| Logistics                     | 11          | 17          | 15          | 33          | 6.1          | 54          | 7.1                     |
| Steel                         | 95          | 35          | 47          | 271         | 50.0         | 197         | 25.9                    |
| Coal                          |             |             | 9           |             | 0.0          | 9           | 1.2                     |
| Others                        | (1)         |             |             | (3)         | (0.6)        |             | 0.0                     |
| <b>Total</b>                  | <b>179</b>  | <b>194</b>  | <b>213</b>  | <b>542</b>  | <b>100.0</b> | <b>760</b>  | <b>100.0</b>            |
| <b>4Q05</b>                   |             |             |             |             |              |             |                         |



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**RECORD NET EARNINGS: US\$ 4.8 BILLION**

CVRD's 2005 net earnings, of US\$ 4.841 billion, was 88.1% higher than the 2004 net earnings of US\$ 2.573 billion. As well as its scale – this is the largest net earnings in CVRD's history – the highly positive qualitative aspect of this result should also be emphasized: CVRD is simultaneously investing record amounts in its own growth, laying down the basis for future profitability.

Main components of the net earnings figure were: (a) an increase of US\$ 2.309 billion in operational profit; (b) an improvement of US\$ 386 million in financial result; and (c) an increase of US\$ 218 million in equity income.

Gains on sales of assets were US\$ 278 million lower in the year. In 2004, the divestment of CST contributed US\$ 404 million to profit, while in 2005 QCM was sold for US\$ 126 million.

The 4Q05 net earnings of US\$ 1.196 billion suffered the effect of a perverse combination of oscillations of the BRL/USD exchange rate. The Real was 5% weaker at the end of 4Q05 than at the end of 3Q05, resulting in the accounting of negative monetary variations. On the other hand, on the basis of the average exchange rates in the two quarters, the Real was 4.1% stronger against the dollar, also reducing profit in 4Q05 – in this case, through higher costs.

**CONCILIATING CAPEX, DIVIDENDS AND FINANCIAL STRENGTH**

One of the greatest challenges for a company that is growing is to conciliate financing of capital expenditure, distribution of dividends and maintenance of a level of financial health that will ensure good risk perception by the capital markets.

CVRD's strong cash generation has enabled it to finance its growth initiatives, allowing the projects to be assessed and approved in accordance with their merit. At the same time, it has been possible to make a good distribution of dividends to shareholders. In the last five years investments and dividends paid totaled approximately US\$ 15 billion. Simultaneously there was a strengthening of the balance sheet.

Breaking paradigms, CVRD obtained the Investment Grade rating in 2005 from three of the most respected rating agencies in the world: Standard & Poor's (BBB), Moody's (Baa3) and Dominion (BBB low).

Leverage and interest coverage indicators improved considerably in 2005, evidencing CVRD's financial strength. Gross debt/adjusted EBITDA fell from 1.10x on December 31, 2004 to 0.77x on December 31, 2005. Total debt/enterprise value<sup>d</sup> fell from 11.8% to 10.1%. Interest coverage, measured by adjusted EBITDA/interest paid<sup>e</sup>, increased, from 12.41x at the end of 2004 to 25.95x at the end of 2005.

Total debt on December 31, 2005 was US\$ 5.010 billion, an increase of US\$ 922 million from the debt of US\$ 4.088 billion at December 31, 2004.

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Net debt<sup>f</sup> at the end of 2005 was US\$ 3.969 billion, with a cash position of US\$ 1.041 billion. Besides its cash holding, CVRD has the potential for additional liquidity provided by committed bank credit lines in the amount of US\$ 750 million.

The average debt maturity on December 31, 2005 was 7.89 years, compared to 6.83 years at the end of 2004. 60% of the debt was at floating rates and 40% at fixed rates. Because prices of aluminum and copper both vary in the same direction as the Libor rate, there is a natural hedge against oscillations in floating interest rates.

The Company's debt management policy aims to reduce its refinancing costs and risks. In this context, the development of liquid markets for its bonds and maintaining of a dynamic posture in relation to management of liabilities are very important.

In October 2005 CVRD again issued bonds, due in 2034 and 8.25% annual coupon, totaling US\$ 300 million. This increased the amount maturing in that year to US\$ 800 million, providing good liquidity conditions for investors, helping to increase the bonds' attractiveness.

In January 2006 the CVRD 2016 bond was issued, with 10-year tenor, 6.250% annual coupon and yield to investors of 6.254% per year, for a total of US\$ 1.0 billion, its cost already reflecting the improvement of risk perception expressed by the award of Investment Grade rating. Since its issuance, CVRD 2016 has risen in value, with the yield to maturity converging gradually towards 6.0%.

Over the period from 4Q04 to the beginning of 2006, CVRD repurchased debt with higher interest rates and lower duration in the amount of US\$ 600 million. For example, more recently, and simultaneously with the issue of CVRD 2016, the Company bought US\$ 176 million of the CVRD 2013 bond, with coupon of 9.000% per year.

**FINANCIAL EXPENSES**

|  | 4Q04         | 3Q05         | 4Q05         | 2004         | 2005         |
|--|--------------|--------------|--------------|--------------|--------------|
|  |              |              |              |              | US\$ million |
| <b>Financial expenses on:</b>                |              |              |              |              |              |
| Debt with third parties                      | (63)         | (69)         | (32)         | (259)        | (206)        |
| Debt with related parties                    |              | 2            | (2)          | (10)         | (6)          |
| <b>Total debt-related financial expenses</b> | <b>(63)</b>  | <b>(67)</b>  | <b>(34)</b>  | <b>(269)</b> | <b>(212)</b> |
|  | <b>4Q04</b>  | <b>3Q05</b>  | <b>4Q05</b>  | <b>2004</b>  | <b>2005</b>  |
| <b>Gross interest on:</b>                    |              |              |              |              |              |
| Tax and labour contingencies                 | (11)         | (27)         | (12)         | (37)         | (62)         |
| Tax on financial transactions (CPMF)         | (11)         | (15)         | (19)         | (38)         | (59)         |
| Derivatives                                  | (67)         | (64)         | (113)        | (134)        | (116)        |
| Others                                       | (106)        | (43)         | (23)         | (193)        | (111)        |
| <b>Total gross interest</b>                  | <b>(195)</b> | <b>(149)</b> | <b>(167)</b> | <b>(402)</b> | <b>(348)</b> |
| <b>Total</b>                                 | <b>(258)</b> | <b>(216)</b> | <b>(201)</b> | <b>(671)</b> | <b>(560)</b> |

**DEBT INDICATORS**

|   | 4Q04  | 3Q05  | 4Q05         |
|---|-------|-------|--------------|
|   |       |       | US\$ million |
| Gross debt                                      | 4,088 | 3,942 | 5,010        |
| Net debt  | 2,839 | 2,707 | 3,969        |
| Gross debt / adjusted LTM EBITDA (x)            | 1.10  | 0.68  | 0.77         |
| Adjusted LTM EBITDA / LTM interest expenses (x) | 12.41 | 21.03 | 25.95        |

|  |      |      |      |
|--|------|------|------|
| Gross debt / EV (x)  | 0.12 | 0.08 | 0.10 |
| <i>Enterprise Value = market capitalization + net debt</i> |      |      |      |
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**PERFORMANCE OF THE BUSINESS SEGMENTS**

**Ferrous minerals**

The vigorous growth in global demand for iron ore and pellets and the expansion of CVRD's production, resulting from the conclusion of projects and productivity gains, has enabled it to return successive record sales volumes. The volume of ferrous minerals shipped in 2005, at 255.171 million tons, was the highest in the Company's history, and 10.4% more than in the previous year.

CVRD's 4Q05 sales of iron ore and pellets, 67.729 million tons, were a quarterly record.

2005 sales of iron ore totaled 226.679 million tons, and sales of pellets 28.492 million tons, respectively 11.4% and 3.6% more than in 2004.

CVRD's purchases of iron ore from small mining companies operating in the Iron Quadrilateral in the state of Minas Gerais, to complement its own production and meet the growing demand from clients, increased by 3.2%, to 16.430 million tons in 2005. CVRD regularly buys pellets from its joint ventures at Tubarão to re-sell to clients, and this volume increased from 9.347 million tons in 2004 to 9.655 million in 2005.

In 2005 China bought 54.157 million tons of iron ore from CVRD, 21.2% of CVRD's total sales volume. This compares with 17.8% in 2004. Japan bought 24.814 million tons, 9.7% of total sales; Germany 24.164 million tons, 9.5%; France 4.4%, South Korea 3.9% and Italy 3.5%.

Sales to Brazilian producers of steel and pig iron totaled 36.023 million tons, 14.1% of total shipments. Sales to the pelletizing joint ventures of Tubarão were 21.576 million tons, 8.5% of the total, which after transformation into pellets are mainly sold to other countries.

The average sale price of iron ore in 2005, US\$ 32.63 per ton, was 66.2% higher than in 2004. For pellets the average price was US\$ 70.79 per ton, 77.8% higher than in 2004.

Note that as a general rule, price increases take effect in January only for Western clients. For the Asian market, price renewal follows the Japanese fiscal year, running from April through March of the following year.

Total shipments in 4Q05 were a quarterly record, at 67.729 million tons, made up of 59.190 million tons of iron ore and 8.579 million ton of pellets. The volume of pellets sold in 4Q05 was 34.4% higher than in 3Q05, when, due to factors associated with Hurricane Katrina and the reprogramming of shipments, only 6.381 million tons were shipped. In 4Q05 the average sale price of iron ore, US\$ 35.08 was 69.6% higher than in 4Q04. In pellets, the average price in 4Q05 was US\$ 72.62, 79.0% higher than in 4Q04.

In contrast with the other mineral products, there was an excess of supply in the manganese alloys market, due to producers' over response to the stimulus given by price increases, which resulted in growth of 18.6% in production in 2004. As a result there was a reduction in the price of alloys in 2005, beginning in the last quarter, and production cuts, starting in the second quarter. Manganese ore, mainly

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used in producing alloys, suffered the negative effect of the price movements after a lag of approximately six months. CVRD's shipments of manganese ore totaled 907,000 tons in 2005, 9.5% less than in 2004, for average sale price of US\$ 84.90, still 11.9% higher than in 2004.

In the last quarter of 2005, 244,000 tons were sold 24.5% less than in 4Q04, which posted a quarterly sales record of 323,000 tons. At the end of 2004 the demand for manganese benefited from the strong expansion of production of alloys.

The average price of manganese ore in 4Q05, US\$ 73.77 per ton, was in line with that of 3Q05, but 33.8% lower than in 4Q04, US\$ 111.46 per ton.

Sales of ferro-alloys totaled 529,000 tons in 2005, 14.1% less than in 2004, and average price, at US\$ 846.88, was 11.5% less than in 2004, but 54.6% more than in 2003.

Sales in 4Q05, at 119,000 tons, were 4.0% lower than in 4Q04 by volume.

After three quarters of declining prices, the average price of ferro-alloys computed by CVRD in 4Q05 recovered, to US\$ 731.09, or 18.2% more than 3Q05. This reflected the improvement in market prices, caused by the reduction in global output of 7% in 3Q05 and 8.2% in 4Q05 and the change in the mix of products sold, with more FeMcMn and FeSiMn, alloys for which prices are higher than FeHcMn.

Revenues from ferrous minerals iron ore, pellets, manganese and ferro-alloys in 2005 totaled US\$ 10.050 billion, 72.0% more than in 2004, when they were US\$ 5,844 billion. Price increases accounted for 81.0% of the increase in revenue, and the increment in quantity shipped accounted for the remaining 19%.

Sales revenue from iron ore was US\$ 7.396 billion, revenue from pellets US\$ 2.017 billion, from operation of the Tubarão pelletizing plants US\$ 66 million, from manganese ore US\$ 77 million and ferro-alloys US\$ 448 million.

Adjusted EBIT margin was 49.7%, 740 bp more than the 42.3% adjusted EBIT margin of 2004.

2005 adjusted EBITDA was US\$ 5.497 billion, 107.9% more than in 2004.

**FERROUS MINERALS**

|                                | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>2005</b> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted EBIT margin (%)       | 40.5%       | 50.7%       | 48.0%       | 42.3%       | 49.7%       |
| Adjusted EBITDA (US\$ million) | 738         | 1,541       | 1,595       | 2,644       | 5,497       |

**Aluminum**

The strong growth in Chinese consumption of alumina, resulting in imports of 7 million tons in 2005, helped to increase the mismatch between global supply and demand, keeping spot prices high. The prices of primary aluminum, which have not accompanied with the same intensity the rise in metal prices, varied widely during the year, falling to US\$ 1,700 per ton in July, but finally reaching their highest level in the last 16 years, in December, at around US\$ 2,300 per ton.

CVRD sold 1.904 million tons of bauxite in 2005, 8.3% less than in 2004, with average sale price of US\$ 28.36 per ton, 11.1% more than in 2004.

4Q05 shipments totaled 700,000 tons, with average price of US\$ 30.00 per ton.

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The volume of alumina sold in 2005 was 1.828 million tons, 2.2% more than the 1.788 million tons sold in 2004. Average price, of US\$ 290.48/ton, was 13.4% higher than in 2004, US\$ 256.15 per ton.

Since the greater part of CVRD's sales are associated to long-term contracts, the increase of market prices is not entirely reflected in its average realized prices. However, as new contracts are signed, the higher alumina price levels are transmitted to its pricing in the form of higher percentages of the LME aluminum price.

Sales of primary aluminum, of 447,000 tons in 2005, were a record, 17,000 tons more than the previous record of 2004. This achievement was possible due to operational improvements made at the Barcarena plant which enabled the increase in production capacity.

CVRD's average sale price for aluminum in 2005, US\$ 1,841.16/ton, was 9.2% higher than in 2004.

Revenue from sales of bauxite, alumina and aluminum in 2005 totaled US\$ 1.408 billion vs. US\$ 1.250 billion in 2004.

In spite of the increase in net revenue, the increase in operational costs and depreciation caused a reduction in adjusted EBIT margin, from 41.7% in 2004 to 31.7%. The appreciation of the Real against the US dollar and the increase in prices of electricity, caustic soda, coke and calcining oil all worked against the profitability of the operations in the aluminum production chain.

2005 adjusted EBITDA was US\$ 551 million, US\$ 55 million less than in the previous year.

**ALUMINUM**

|                                | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>2005</b> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted EBIT margin (%)       | 35.3%       | 25.3%       | 30.7%       | 41.6%       | 31.7%       |
| Adjusted EBITDA (US\$ million) | 149         | 111         | 122         | 606         | 551         |

**Non-ferrous minerals**

The rate of growth in global demand for potash decreased in the second half of 2005, reflecting reduction of consumption in some countries of Asia and in Brazil, due to problems with farm crops. A strong recovery in the harvest is expected in Brazil in 2006, especially of soy, which should reactivate expansion of demand for CVRD's product.

Conclusion of the project to expand capacity of production at the Taquari-Vassouras mine to 850,000 tons will enable sales to be increased in 2006.

CVRD's sales of potash in 2005 totaled 640,000 tons, an annual record, 1.6% more than in 2004.

The average selling price was US\$ 232.81 per ton, 18.3% more than in 2004, and US\$ 232.95 per ton in 4Q05, 9.82% more than in 4Q04.

In 4Q05 CVRD sold 176,000 tons of potash, 6.7% more than in 4Q04, with an average price of US\$ 232.95 per ton.

Revenue from potash in 2005 was US\$ 149 million, 20.2% more than in 2004, US\$ 124 million.

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The volume of kaolin sold in 2005, 1.218 million tons, was almost the same as in 2004, 1.208 million tons. The average price of kaolin was 7.0% higher, up from US\$ 135.76 per ton in 2004, to US\$ 145.32 per ton. As a result revenue increased to 7.9%, at US\$ 177 million, in 2005.

In the first full year of operation of the Sossego mine, CVRD sold 398,000 tons of copper concentrate, for an average price of US\$ 982 per ton, producing revenue of US\$ 391 million in 2005.

The relatively small size of CVRD's non-ferrous minerals operations creates a certain volatility in their operational results, due to the sensitivity to fluctuations in the prices of products and inputs, and in the BRL/USD exchange rate. The increase in revenue, resulting from higher price levels and growth in volume of sales of copper concentrate, was fully offset by the increase in costs and depreciation, causing a reduction in the EBIT margin of the non-ferrous area, from 41.7% in 2004 to 23.7% in 2005.

Adjusted EBITDA of the non-ferrous minerals division was US\$ 200 million, vs. US\$ 176 million in 2004.

**NON FERROUS MINERALS**

|                                | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>2005</b> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted EBIT margin (%)       | 46.2%       | 8.0%        | 26.4%       | 41.7%       | 23.7%       |
| Adjusted EBITDA (US\$ million) | 107         | 36          | 79          | 176         | 200         |

**Logistics**

The CVRD railroads Carajás, Vitória a Minas and Centro-Atlântica transported 26.885 billion ntk of general cargo for clients in 2005, in line with 2004 levels of 26.734 billion ntk. The main cargos transported were inputs and products for the steel industry, 44.2%, agricultural products, mainly soy, sugar and fertilizers, 37.8%; and construction industry inputs and forest products, 8.0%.

The halt in the rapid growth of railroad transportation in recent years averaging 8% per year over the period 2001 to 2004 was the result of a 3.9% reduction in Brazilian steel output, the partial failure of the farm crop, and the new decision on the profile of cargo transported, with less haulage of petrochemicals. Even so, CVRD increased its share in the transport of soy for export from 16% to 18%, of fertilizers from 7% to 9%. The transportation of petrochemicals is being replaced by containers, including, for example, transport of electronics.

At the CVRD's ports and maritime terminals were handled 30.681 million tons of general cargo, vs. 28.741 million in 2004. The ninth grain storage facility at the TPD (Sundry Products Terminal) in Tubarão, and the fourth silo in the Ponta da Madeira maritime terminal, started operating in 2005.

Logistics services generated revenue of US\$ 1,216 billion in 2005, 38.7% more than in 2004.

Railroad haulage of general cargo produced revenue of US\$ 881 million, 72.5% of the division's total. Port services added US\$ 204 million, and coastal shipping and port support services US\$ 131 million.

Adjusted EBIT margin was 22.4%, slightly higher than the 21.9% obtained in 2004.

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2005 adjusted EBITDA was US\$ 414 million in 2005, 21.1% more than the 2004 adjusted EBITDA of US\$ 342 million.

**LOGISTICS**

|                                | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>2005</b> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted EBIT margin (%)       | 8.2%        | 27.6%       | 8.6%        | 21.9%       | 22.4%       |
| Adjusted EBITDA (US\$ million) | 68          | 114         | 80          | 342         | 414         |

**VOLUME SOLD, PRICES AND REVENUES**  
**VOLUME SOLD: IRON ORE AND PELLETS**

|              | <b>4Q04</b>   | <b>3Q05</b>   | <b>4Q05</b>   | <b>2004</b>    | <b>%</b>     | thousands of tons |              |
|--------------|---------------|---------------|---------------|----------------|--------------|-------------------|--------------|
|              |               |               |               |                |              | <b>2005</b>       | <b>%</b>     |
| Iron ore     | 54,748        | 58,879        | 59,150        | 203,536        | 88.1         | 226,679           | 88.8         |
| Pellets      | 7,076         | 6,381         | 8,579         | 27,507         | 11.9         | 28,492            | 11.2         |
| <b>Total</b> | <b>61,824</b> | <b>65,260</b> | <b>67,729</b> | <b>231,043</b> | <b>100.0</b> | <b>255,171</b>    | <b>100.0</b> |

**VOLUME SOLD: MINERALS AND METALS**

|                     | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>%</b> | thousands of tons |             |
|---------------------|-------------|-------------|-------------|-------------|----------|-------------------|-------------|
|                     |             |             |             |             |          | <b>2005</b>       | <b>2005</b> |
| Manganese ore       |             |             | 323         | 271         | 244      | 1,002             | 907         |
| Ferro-alloys        |             |             | 124         | 131         | 119      | 616               | 529         |
| Alumina             |             |             | 462         | 507         | 441      | 1,788             | 1,828       |
| Primary aluminum    |             |             | 113         | 112         | 116      | 430               | 447         |
| Bauxite             |             |             | 514         | 368         | 700      | 2,076             | 1,904       |
| Potash              |             |             | 165         | 197         | 176      | 630               | 640         |
| Kaolin              |             |             | 311         | 280         | 355      | 1,208             | 1,218       |
| Copper concentrates |             |             | 139         | 96          | 112      | 269               | 398         |

**IRON ORE AND PELLET SALES BY DESTINATION**

|                    | <b>4Q04</b>   | <b>3Q05</b>   | <b>4Q05</b>   | <b>2004</b>   | <b>%</b>    | thousands of tons |             |
|--------------------|---------------|---------------|---------------|---------------|-------------|-------------------|-------------|
|                    |               |               |               |               |             | <b>2005</b>       | <b>%</b>    |
| <b>EU</b>          | <b>18,356</b> | <b>18,884</b> | <b>16,856</b> | <b>69,558</b> | <b>30.1</b> | <b>73,159</b>     | <b>28.7</b> |
| Germany            | 7,022         | 6,124         | 5,758         | 24,512        | 10.6        | 24,164            | 9.5         |
| France             | 2,806         | 2,977         | 3,034         | 11,364        | 4.9         | 11,285            | 4.4         |
| Belgium            | 2,021         | 1,961         | 2,005         | 8,022         | 3.5         | 7,652             | 3.0         |
| Italy              | 2,091         | 2,915         | 832           | 8,151         | 3.5         | 8,815             | 3.5         |
| Others             | 4,416         | 4,907         | 5,227         | 17,509        | 7.6         | 21,243            | 8.3         |
| <b>China</b>       | <b>12,673</b> | <b>14,301</b> | <b>17,252</b> | <b>41,045</b> | <b>17.8</b> | <b>54,157</b>     | <b>21.2</b> |
| <b>Japan</b>       | <b>2,515</b>  | <b>6,330</b>  | <b>6,542</b>  | <b>20,773</b> | <b>9.0</b>  | <b>24,814</b>     | <b>9.7</b>  |
| <b>South Korea</b> | <b>2,477</b>  | <b>2,647</b>  | <b>3,726</b>  | <b>9,614</b>  | <b>4.2</b>  | <b>10,065</b>     | <b>3.9</b>  |
| <b>Middle East</b> | <b>2,155</b>  | <b>2,244</b>  | <b>2,030</b>  | <b>7,073</b>  | <b>3.1</b>  | <b>7,651</b>      | <b>3.0</b>  |
| <b>USA</b>         | <b>1,384</b>  | <b>878</b>    | <b>1,710</b>  | <b>5,467</b>  | <b>2.4</b>  | <b>4,947</b>      | <b>1.9</b>  |
| <b>Brazil</b>      | <b>14,371</b> | <b>14,749</b> | <b>14,243</b> | <b>55,676</b> | <b>24.1</b> | <b>57,599</b>     | <b>22.6</b> |
|                    | 9,232         | 8,975         | 9,190         | 35,892        | 15.5        | 36,023            | 14.1        |



|                                    |               |               |               |                |              |                |              |
|------------------------------------|---------------|---------------|---------------|----------------|--------------|----------------|--------------|
| Steel mills and pig iron producers |               |               |               |                |              |                |              |
| Pelletizing joint ventures         | 5,139         | 5,774         | 5,053         | 19,784         | 8.6          | 21,576         | 8.5          |
| <b>RoW</b>                         | <b>7,894</b>  | <b>5,227</b>  | <b>5,370</b>  | <b>21,837</b>  | <b>9.5</b>   | <b>22,779</b>  | <b>8.9</b>   |
| <b>Total</b>                       | <b>61,824</b> | <b>65,260</b> | <b>67,729</b> | <b>231,043</b> | <b>100.0</b> | <b>255,171</b> | <b>100.0</b> |

**LOGISTICS SERVICES      GENERAL CARGO**

|                         | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>2005</b> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Railroads (million ntk) | 6,306       | 7,789       | 5,999       | 26,734      | 26,885      |
| Ports (thousand tons)   | 7,097       | 8,349       | 7,641       | 28,741      | 30,681      |
| <b>4Q05</b>             |             |             |             |             |             |

**Table of Contents****US GAAP****AVERAGE PRICES REALIZED**

|                     | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | US\$/ton<br><b>2005</b> |
|---------------------|-------------|-------------|-------------|-------------|-------------------------|
| Iron ore            | 20.69       | 35.07       | 35.08       | 19.63       | 32.63                   |
| Pellets             | 40.56       | 79.92       | 72.62       | 39.81       | 70.79                   |
| Manganese           | 111.46      | 73.80       | 73.77       | 75.85       | 84.90                   |
| Ferro alloys        | 1,346.77    | 618.32      | 731.09      | 956.49      | 846.88                  |
| Alumina             | 305.19      | 287.97      | 315.19      | 256.15      | 290.48                  |
| Aluminum            | 1,725.66    | 1,803.57    | 1,870.69    | 1,686.05    | 1,841.16                |
| Bauxite             | 25.29       | 27.17       | 30.00       | 25.53       | 28.36                   |
| Potash              | 212.12      | 238.58      | 232.95      | 196.83      | 232.81                  |
| Kaolin              | 144.69      | 150.00      | 143.66      | 135.76      | 145.32                  |
| Copper concentrates | 769.78      | 958.33      | 1,169.64    | 747.21      | 982.41                  |

**GROSS REVENUE BY PRODUCT**

|                                 | <b>4Q04</b>  | <b>3Q05</b>  | <b>4Q05</b>  | <b>2004</b>  | <b>%</b>     | US\$ million<br><b>2005</b> | <b>%</b>     |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------------|--------------|
| <b>Ferrous-minerals</b>         | <b>1,647</b> | <b>2,706</b> | <b>2,832</b> | <b>5,844</b> | <b>68.9</b>  | <b>10,050</b>               | <b>75.0</b>  |
| Iron ore                        | 1,133        | 2,065        | 2,075        | 3,995        | 47.1         | 7,396                       | 55.2         |
| Pellet plant operation services | 14           | 19           | 21           | 53           | 0.6          | 66                          | 0.5          |
| Pellets                         | 287          | 510          | 623          | 1,095        | 12.9         | 2,017                       | 15.0         |
| Manganese ore                   | 36           | 20           | 18           | 76           | 0.9          | 77                          | 0.6          |
| Ferro-alloys                    | 167          | 81           | 87           | 589          | 6.9          | 448                         | 3.3          |
| Others                          | 10           | 11           | 8            | 36           | 0.4          | 46                          | 0.3          |
| <b>Non ferrous minerals</b>     | <b>187</b>   | <b>181</b>   | <b>223</b>   | <b>489</b>   | <b>5.8</b>   | <b>717</b>                  | <b>5.3</b>   |
| Potash                          | 35           | 47           | 41           | 124          | 1.5          | 149                         | 1.1          |
| Kaolin                          | 45           | 42           | 51           | 164          | 1.9          | 177                         | 1.3          |
| Copper concentrates             | 107          | 92           | 131          | 201          | 2.4          | 391                         | 2.9          |
| <b>Aluminum products</b>        | <b>354</b>   | <b>358</b>   | <b>377</b>   | <b>1,250</b> | <b>14.7</b>  | <b>1,408</b>                | <b>10.5</b>  |
| Primary aluminum                | 195          | 202          | 217          | 725          | 8.6          | 823                         | 6.1          |
| Alumina                         | 141          | 146          | 139          | 458          | 5.4          | 531                         | 4.0          |
| Bauxite                         | 13           | 10           | 21           | 53           | 0.6          | 54                          | 0.4          |
| Others                          | 5            | 0            | 0            | 14           | 0.2          |                             |              |
| <b>Logistics services</b>       | <b>234</b>   | <b>359</b>   | <b>309</b>   | <b>877</b>   | <b>10.3</b>  | <b>1,216</b>                | <b>9.1</b>   |
| Railroads                       | 162          | 267          | 223          | 613          | 7.2          | 881                         | 6.6          |
| Ports                           | 43           | 60           | 50           | 151          | 2.0          | 204                         | 1.5          |
| Shipping                        | 29           | 32           | 36           | 114          | 1.1          | 131                         | 1.0          |
| <b>Others</b>                   | <b>6</b>     | <b>6</b>     | <b>5</b>     | <b>19</b>    | <b>0.2</b>   | <b>14</b>                   | <b>0.1</b>   |
| <b>Total</b>                    | <b>2,428</b> | <b>3,610</b> | <b>3,746</b> | <b>8,479</b> | <b>100.0</b> | <b>13,405</b>               | <b>100.0</b> |

**RENTABILIDADE E GERAÇÃO DE CAIXA**  
**ADJUSTED EBIT MARGIN BY BUSINESS AREA**

| <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> | <b>2004</b> | <b>2005</b> |
|-------------|-------------|-------------|-------------|-------------|
|-------------|-------------|-------------|-------------|-------------|

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|                      |              |              |              |              |              |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Ferrous minerals     | 40.5%        | 50.7%        | 48.0%        | 42.3%        | 49.7%        |
| Non ferrous minerals | 46.2%        | 8.0%         | 26.4%        | 41.7%        | 23.7%        |
| Aluminum             | 35.3%        | 25.3%        | 30.7%        | 41.6%        | 31.7%        |
| Logistics            | 8.2%         | 27.6%        | 8.6%         | 21.9%        | 22.4%        |
| <b>Total</b>         | <b>35.5%</b> | <b>40.8%</b> | <b>40.6%</b> | <b>38.7%</b> | <b>42.5%</b> |
| <b>4Q05</b>          |              |              |              |              |              |

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**Table of Contents****US GAAP****ADJUSTED EBITDA BY BUSINESS AREA**

|                      | <b>4Q04</b>  | <b>3Q05</b>  | <b>4Q05</b>  | <b>2004</b>  | <b>%</b>     | <b>2005</b>  | US\$ million<br><b>%</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Ferrous minerals     | 738          | 1,541        | 1,595        | 2,644        | 71.0         | 5,497        | 84.1                     |
| Non-ferrous minerals | 107          | 36           | 79           | 176          | 4.7          | 200          | 3.1                      |
| Logistics            | 68           | 114          | 80           | 342          | 9.2          | 414          | 6.3                      |
| Aluminum             | 149          | 111          | 122          | 606          | 16.3         | 551          | 8.4                      |
| Others               | (61)         | (68)         | (96)         | (46)         | -1.2         | (122)        | -1.9                     |
| <b>Total</b>         | <b>1,001</b> | <b>1,734</b> | <b>1,780</b> | <b>3,722</b> | <b>100.0</b> | <b>6,540</b> | <b>100.0</b>             |

**CONFERENCE CALL AND WEBCAST**

CVRD will hold its conference call and webcast on Wednesday, March 08, at 12:00 pm Rio de Janeiro time, 10:00 am Eastern Standard Time and 3:00 pm UK time. Instructions for participation are on the website [www.cvrd.com.br](http://www.cvrd.com.br), *Investor Relations* section. A recording of the call and webcast will be available on the website for 90 days following March 08.

**SELECTED FINANCIAL INDICATORS FOR THE MAIN NON-CONSOLIDATED COMPANIES**

Selected financial indicators for the principal non-consolidated companies are available in CVRD's quarterly financial statements, on its website [www.cvrd.com.br](http://www.cvrd.com.br), in the *Investor Relations* section.

**4Q05**

**Table of Contents****US GAAP****FINANCIAL STATEMENTS**

|  |              |              |              | US\$ million |               |
|--|--------------|--------------|--------------|--------------|---------------|
|  | <b>4Q04</b>  | <b>3Q05</b>  | <b>4Q05</b>  | <b>2004</b>  | <b>2005</b>   |
| Gross operating revenues                     | 2,428        | 3,610        | 3,746        | 8,479        | 13,405        |
| Taxes  | (111)        | (165)        | (148)        | (413)        | (613)         |
| <b>Net operating revenue</b>                 | <b>2,317</b> | <b>3,445</b> | <b>3,598</b> | <b>8,066</b> | <b>12,792</b> |
| Cost of goods sold                           | (1,208)      | (1,645)      | (1,829)      | (4,081)      | (6,229)       |
| <b>Gross profit</b>                          | <b>1,109</b> | <b>1,800</b> | <b>1,769</b> | <b>3,985</b> | <b>6,563</b>  |
| Gross margin (%)                             | 47.9         | 52.2         | 49.2         | 49.4         | 51.3          |
| Selling, general and administrative expenses | (133)        | (160)        | (175)        | (452)        | (583)         |
| Research and development expenses            | (67)         | (104)        | (85)         | (153)        | (277)         |
| Employee profit-sharing                      | (22)         | (24)         | (32)         | (69)         | (97)          |
| Others                                       | (65)         | (107)        | (16)         | (188)        | (174)         |
| <b>Operating profit</b>                      | <b>822</b>   | <b>1,405</b> | <b>1,461</b> | <b>3,123</b> | <b>5,432</b>  |
| Financial revenues                           | 41           | 36           | 31           | 82           | 123           |
| Financial expenses                           | (258)        | (216)        | (201)        | (671)        | (560)         |
| Monetary variation                           | 275          | 163          | (166)        | 65           | 299           |
| Gains on sale of affiliates                  | 90           | 126          |              | 404          | 126           |
| Tax and social contribution (Current)        | (10)         | (172)        | (92)         | (433)        | (754)         |
| Tax and social contribution (Deferred)       | (386)        | (102)        | 36           | (316)        | (126)         |
| Equity income and provision for losses       | 179          | 194          | 213          | 542          | 760           |
| Minority shareholding participation          | (32)         | (117)        | (86)         | (223)        | (459)         |
| <b>Net earnings</b>                          | <b>721</b>   | <b>1,317</b> | <b>1,196</b> | <b>2,573</b> | <b>4,841</b>  |
| <b>Earnings per share</b>                    | <b>0.63</b>  | <b>1.14</b>  | <b>1.04</b>  | <b>2.23</b>  | <b>4.20</b>   |

**BALANCE SHEET**

|                      |  |                 | US\$ million    |                 |
|----------------------|--|-----------------|-----------------|-----------------|
|                      |  | <b>12/31/04</b> | <b>09/30/05</b> | <b>12/31/05</b> |
| <b>Assets</b>        |  |                 |                 |                 |
| Current              |  | 3,890           | 5,006           | 4,775           |
| Long-term            |  | 1,603           | 2,078           | 2,031           |
| Fixed                |  | 10,222          | 15,019          | 15,838          |
| <b>Total</b>         |  | <b>15,715</b>   | <b>22,103</b>   | <b>22,644</b>   |
| <b>Liabilities</b>   |  |                 |                 |                 |
| Current              |  | 2,455           | 2,964           | 3,325           |
| Long term            |  | 5,869           | 6,934           | 7,342           |
| Shareholders' equity |  | 7,391           | 12,205          | 11,977          |
| Paid-up capital      |  | 3,707           | 6,366           | 6,366           |
| Reserves             |  | 3,684           | 5,839           | 5,611           |
| <b>Total</b>         |  | <b>15,715</b>   | <b>22,103</b>   | <b>22,644</b>   |
| <b>4Q05</b>          |  |                 |                 |                 |

**Table of Contents****US GAAP****CASH FLOW STATEMENT**

|   |              |                |                | US\$ million   |                |
|---|--------------|----------------|----------------|----------------|----------------|
|   | 4Q04         | 3Q05           | 4Q05           | 2004           | 2005           |
| <b>Cash flows from operating activities:</b>  |              |                |                |                |                |
| Net income  | 721          | 1.317          | 1.196          | 2.573          | 4.841          |
| Adjustments to reconcile net income with cash provided by operating activities:                             |              |                |                |                |                |
| Depreciation, depletion and amortization  | 119          | 171            | 183            | 399            | 619            |
| Dividends received  | 60           | 158            | 136            | 200            | 489            |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (179)        | (194)          | (213)          | (542)          | (760)          |
| Deferred income taxes   | 386          | 102            | (36)           | 316            | 126            |
| Provisions for contingencies  | 42           | 10             | 18             | 137            | 27             |
| Impairment of property, plant and equipment   | 4            | 18             | 0              | 34             | 26             |
| Gain on sale of investment  | (90)         | (126)          |                | (404)          | (126)          |
| Foreign exchange and monetary losses  | (106)        | (201)          | 235            | 112            | (237)          |
| Net unrealized derivative losses  | 66           | 65             | 126            | 134            | 101            |
| Minority interest   | 32           | 117            | 86             | 223            | 459            |
| Net interest payable  | 38           | 12             | 14             | 93             | 62             |
| Others  | (70)         | (15)           | (62)           | (123)          | (159)          |
| Decrease (increase) in assets:  |              |                |                |                |                |
| Accounts receivable   | 57           | 281            | (133)          | (98)           | (416)          |
| Inventories   | (95)         | (44)           | (24)           | (216)          | (138)          |
| Others  | (76)         | (441)          | 63             | (78)           | (639)          |
| Increase (decrease) in liabilities:   |              |                |                |                |                |
| Suppliers   | 288          | (21)           | 113            | 230            | 279            |
| Payroll and related charges   | 22           | 22             | 40             | 28             | 40             |
| Income Tax  | (22)         | 396            | (229)          | 348            | 413            |
| Others  | (126)        | 161            | 3              | 105            | 154            |
| <b>Net cash provided by operating activities</b>  | <b>1.071</b> | <b>1.788</b>   | <b>1.516</b>   | <b>3.471</b>   | <b>5.161</b>   |
| Cash flows from investing activities:   |              |                |                |                |                |
| Loans and advances receivable   | (14)         | 26             | 63             | 36             | 88             |
| Guarantees and deposits   | (21)         | (32)           | (7)            | (111)          | (59)           |
| Additions to investments  | (15)         | 0              | (12)           | (34)           | (103)          |
| Additions to property, plant and equipment  | (877)        | (1.302)        | (1.237)        | (2.022)        | (3.977)        |
| Proceeds from disposals of investment   | 164          | 126            |                | 579            | 126            |
| Proceeds from disposals of property, plant and equipment  | 7            | 1              | 12             | 11             | 16             |
| Net cash used to acquire subsidiaries   |              | 0              | (737)          | 0              | (737)          |
| <b>Net cash used in investing activities</b>  | <b>(756)</b> | <b>(1.181)</b> | <b>(1.918)</b> | <b>(1.541)</b> | <b>(4.646)</b> |
| Cash flows from financing activities:   |              |                |                |                |                |
| Short-term debt, net issuances (repayments)   | (100)        | (194)          | (129)          | (60)           | (86)           |
| Loans   | (18)         | (17)           | 3              | (6)            | (33)           |
| Long-term debt  | 116          | 22             | 1.386          | 1.051          | 1.772          |
| Repayments of long-term debt  | (390)        | (156)          | (140)          | (1.286)        | (884)          |

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|  |              |              |              |                |              |
|--|--------------|--------------|--------------|----------------|--------------|
| Interest attributed to stockholders                          | (518)        | 0            | (800)        | (787)          | (1,300)      |
| <b>Net cash used in financing activities</b>                 | <b>(910)</b> | <b>(345)</b> | <b>320</b>   | <b>(1,088)</b> | <b>(531)</b> |
| Increase (decrease) in cash and cash equivalents             | (595)        | 262          | (82)         | 842            | (16)         |
| Effect of exchange rate changes on cash and cash equivalents | (95)         | 17           | (112)        | (204)          | (192)        |
| Initial cash in new consolidated subsidiaries                | 0            | 0            |              | 26             | 0            |
| Cash and cash equivalents, beginning of period               | 1,939        | 956          | 1,235        | 585            | 1,249        |
| <b>Cash and cash equivalents, end of period</b>              | <b>1,249</b> | <b>1,235</b> | <b>1,041</b> | <b>1,249</b>   | <b>1,041</b> |
| Cash paid during the period for:                             |              |              |              |                |              |
| Interest on short-term debt                                  | (3)          | (1)          | (8)          | (5)            | (9)          |
| Interest on long-term debt                                   | (82)         | (71)         | (55)         | (295)          | (243)        |
| Income tax   | (108)        | (202)        | (29)         | (108)          | (481)        |
| Non-cash transactions  |              |              |              |                |              |
| Income tax paid with credits                                 | 0            | (16)         | (65)         | (100)          | (161)        |
| Interest capitalized   | (9)          | (10)         | (52)         | (31)           | (86)         |
| <b>4Q05</b>  |              |              |              |                |              |

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**Table of Contents****US GAAP****APPENDIX**

Reconciliation of non-GAAP information with corresponding US GAAP figures

**(a) Adjusted EBIT**

|                          |             |              |              | US\$ million |              |
|--------------------------|-------------|--------------|--------------|--------------|--------------|
|                          | <b>4Q04</b> | <b>3Q05</b>  | <b>4Q05</b>  | <b>2004</b>  | <b>2005</b>  |
| Net operating revenues   | 2,317       | 3,445        | 3,598        | 8,066        | 12,792       |
| COGS                     | (1,208)     | (1,645)      | (1,829)      | (4,081)      | (6,229)      |
| SG&A                     | (133)       | (160)        | (175)        | (452)        | (583)        |
| Research & development   | (67)        | (104)        | (85)         | (153)        | (277)        |
| Other operating expenses | (87)        | (131)        | (48)         | (257)        | (271)        |
| <b>Adjusted EBIT</b>     | <b>822</b>  | <b>1,405</b> | <b>1,461</b> | <b>3,123</b> | <b>5,432</b> |

**(b) Adjusted EBITDA**

The term EBITDA refers to a financial measure that is defined as earnings (losses) before interest, taxes, depreciation and amortisation; we use the term Adjusted EBITDA to reflect that our financial measure also excludes monetary gains/losses, equity in results of affiliates and joint ventures less dividends received from those companies, changes in provision for losses on equity investments, adjustments for changes in accounting practices, minority interests and non-recurring expenses. However, Adjusted EBITDA is not a measure determined under GAAP in the United States of America and may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA should not be construed as a substitute for operating income or as a better measure of liquidity than cash flow from operating activities, which are determined in accordance with GAAP. We have presented Adjusted EBITDA to provide additional information with respect to our ability to meet future debt service, capital expenditure and working capital requirements. The following schedule reconciles Adjusted EBITDA to net cash provided by (used in) operating activities reported on our Consolidated Statements of Cash Flows, which we believe is the most directly comparable GAAP measure:

**RECONCILIATION BETWEEN ADJUSTED EBITDA VS. OPERATING CASH FLOW**

|                                      |             |             | US\$ million |  |
|--------------------------------------|-------------|-------------|--------------|--|
|                                      | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b>  |  |
| <b>Operating cash flow</b>           | 1,071       | 1,788       | 1,528        |  |
| Income tax                           | 10          | 172         | 92           |  |
| Monetary and foreign exchange losses | (169)       | 38          | (8)          |  |
| Financial expenses                   | 179         | 103         | 30           |  |
| Net working capital                  | (48)        | (354)       | 94           |  |
| Others                               | (42)        | (13)        | 44           |  |
| <b>Adjusted EBITDA</b>               | 1,001       | 1,734       | 1,780        |  |
| <b>4Q05</b>                          |             |             |              |  |



**Table of Contents****US GAAP****(c) Gross debt / last 12 months adjusted EBITDA**

|  | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> |
|--|-------------|-------------|-------------|
| Total debt / adjusted LTM EBITDA (x)     | 1.10        | 0.68        | 0.77        |
| Total debt / LTM operating cash flow (x) | 1.18        | 0.83        | 0.61        |

**(d) Total debt / enterprise value**

|                               | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> |
|-------------------------------|-------------|-------------|-------------|
| Total debt / EV (x)           | 0.12        | 0.08        | 0.10        |
| Total debt / total assets (x) | 26.01       | 17.83       | 22.14       |

*Enterprise value* = net debt + market capitalization**(e) Adjusted LTM EBITDA / LTM interest expenses**

|  | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b> |
|--|-------------|-------------|-------------|
| Adjusted LTM EBITDA / LTM interest expenses (x)  | 12.41       | 21.03       | 25.95       |
| LTM operating income / LTM interest expenses (x) | 10.41       | 17.49       | 21.56       |

**(f) Net debt****RECONCILIATION BETWEEN GROSS DEBT VS, NET DEBT**

|                           | <b>4Q04</b> | <b>3Q05</b> | <b>4Q05</b>  |
|---------------------------|-------------|-------------|--------------|
|                           |             |             | US\$ million |
| Gross debt                | 4,088       | 3,942       | 5,010        |
| Cash and cash equivalents | 1,249       | 1,235       | 1,041        |
| Net debt                  | 2,839       | 2,707       | 3,969        |

This release may include statements that present the company's management's expectations on future events or future results. All statements based on future expectations and not on historical facts involve various risks and uncertainties. The company cannot guarantee that such statements will be realized in fact. Such risks and uncertainties include factors in relation to: the Brazilian economy and the capital markets, which are volatile and may be affected by developments in other countries; the iron ore business and its dependence on the steel industry, which is cyclical by nature; and the highly competitive nature of the industries in which CVRD operates. To obtain additional information on factors which could give rise to results different from those indicated by the company, please consult the reports filed with the Brazilian Securities Commission (CVM - *Comissão de Valores Mobiliários*) and the US Securities and Exchange Commission (SEC), including CVRD's most recent Form 20F Annual Report.

**4Q05**

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**COMPANHIA VALE DO RIO DOCE**

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**Report of Independent Registered Public Accounting Firm  
To the Board of Directors and Stockholders of Companhia Vale do Rio Doce**

In our opinion, based upon our audits and the reports of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in stockholders' equity, present fairly, in all material respects, the financial position of Companhia Vale do Rio Doce and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2003 financial statements of certain affiliates, the investments in which generated equity in earnings of US\$157 million. Also, we did not audit the 2003 financial statements of certain majority-owned subsidiaries which presented total revenues of US\$839 million. The financial statements of these affiliates and subsidiaries were audited by other auditors whose reports there on have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for these affiliates and subsidiaries, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for the opinion expressed above. We have not audited the financial information relating to quarterly consolidated statements of income, of cash flows, of changes in stockholders' equity and related explanatory notes included in the consolidated financial statements.

As discussed in Note 4 to the financial statements, the Company changed its method of accounting for asset retirement obligations, as from January 1, 2003.

PricewaterhouseCoopers  
Auditores Independentes  
Rio de Janeiro, Brazil  
March 6, 2006

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**Table of Contents****Consolidated Balance Sheets****Expressed in millions of United States dollars**

|   | <b>As of December 31,</b> |               |
|---|---------------------------|---------------|
|   | <b>2005</b>               | <b>2004</b>   |
| Assets  |                           |               |
| Current assets  |                           |               |
| Cash and cash equivalents   | 1,041                     | 1,249         |
| Accounts receivable   |                           |               |
| Related parties   | 159                       | 124           |
| Unrelated parties   | 1,490                     | 905           |
| Loans and advances to related parties   | 22                        | 56            |
| Inventories   | 1,142                     | 849           |
| Deferred income tax   | 186                       | 203           |
| Recoverable taxes   | 362                       | 285           |
| Others  | 373                       | 219           |
|   | <b>4,775</b>              | <b>3,890</b>  |
| Property, plant and equipment, net  | <b>14,166</b>             | <b>9,063</b>  |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments | <b>1,672</b>              | <b>1,159</b>  |
| Other assets  |                           |               |
| Goodwill on acquisition of subsidiaries   | 548                       | 486           |
| Loans and advances  |                           |               |
| Related parties   | 4                         | 55            |
| Unrelated parties   | 61                        | 56            |
| Prepaid pension cost  | 308                       | 170           |
| Deferred income tax   |                           | 70            |
| Judicial deposits   | 568                       | 531           |
| Unrealized gain on derivative instruments   | 1                         | 4             |
| Advances to suppliers - energy  | 311                       | 98            |
| Others  | 230                       | 133           |
|   | <b>2,031</b>              | <b>1,603</b>  |
| <b>TOTAL</b>  | <b>22,644</b>             | <b>15,715</b> |

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

(Continued)

|   | <b>As of December 31,</b> |               |
|---|---------------------------|---------------|
|   | <b>2005</b>               | <b>2004</b>   |
| Liabilities and stockholders' equity  |                           |               |
| Current liabilities   |                           |               |
| Suppliers   | 1.110                     | 689           |
| Payroll and related charges   | 229                       | 141           |
| Current portion of long-term debt - unrelated parties   | 1.218                     | 730           |
| Short-term debt   | 15                        | 74            |
| Loans from related parties  | 62                        | 52            |
| Provision for income taxes  | 297                       | 459           |
| Others  | 394                       | 310           |
|   | <b>3.325</b>              | <b>2.455</b>  |
| Long-term liabilities   |                           |               |
| Employees post-retirement benefits  | 241                       | 215           |
| Long-term debt - unrelated parties  | 3.714                     | 3.214         |
| Loans from related parties  | 1                         | 18            |
| Provisions for contingencies (Note 18 (b))  | 1.286                     | 914           |
| Unrealized loss on derivative instruments   | 260                       | 236           |
| Deferred income tax   | 2                         |               |
| Provisions for environmental liabilities  | 225                       | 134           |
| Others  | 395                       | 350           |
|   | <b>6.124</b>              | <b>5.081</b>  |
| Minority interests  | <b>1.218</b>              | <b>788</b>    |
| Stockholders' equity  |                           |               |
| Preferred class A stock - 1,800,000,000 no-par-value shares authorized and 415,727,739 issued | 2.150                     | 1.176         |
| Common stock - 900,000,000 no-par-value shares authorized and 749,949,429 issued              | 3.806                     | 2.121         |
| Treasury stock - 11,458 (2004 - 11,951) preferred and 14,145,510 common shares                | (88)                      | (88)          |
| Additional paid-in capital  | 498                       | 498           |
| Other cumulative comprehensive deficit  | (2.729)                   | (3.774)       |
| Appropriated retained earnings  | 4.357                     | 4.143         |
| Unappropriated retained earnings  | 3.983                     | 3.315         |
|   | <b>11.977</b>             | <b>7.391</b>  |
| <b>TOTAL</b>  | <b>22.644</b>             | <b>15.715</b> |

See notes to consolidated financial statements.

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**Table of Contents****Consolidated Statements of Income**

Expressed in millions of United States dollars

(except number of shares and per-share amounts)

|  | Three months ended (unaudited) |                       |                      | Year ended December 31, |                |                |
|--|--------------------------------|-----------------------|----------------------|-------------------------|----------------|----------------|
|  | December<br>31, 2005           | September<br>30, 2005 | December<br>31, 2004 | 2005                    | 2004           | 2003           |
| Operating revenues, net of discounts, returns and allowances |                                |                       |                      |                         |                |                |
| Sales of ores and metals                                     | 3,055                          | 2,887                 | 1,834                | 10,767                  | 6,333          | 4,060          |
| Revenues from logistic services                              | 309                            | 359                   | 234                  | 1,216                   | 877            | 604            |
| Aluminum products  | 377                            | 358                   | 354                  | 1,408                   | 1,250          | 852            |
| Other products and services                                  | 5                              | 6                     | 6                    | 14                      | 19             | 29             |
|  | <b>3,746</b>                   | <b>3,610</b>          | <b>2,428</b>         | <b>13,405</b>           | <b>8,479</b>   | <b>5,545</b>   |
| Taxes on revenues  | (148)                          | (165)                 | (111)                | (613)                   | (413)          | (195)          |
| Net operating revenues                                       | <b>3,598</b>                   | <b>3,445</b>          | <b>2,317</b>         | <b>12,792</b>           | <b>8,066</b>   | <b>5,350</b>   |
| Operating costs and expenses                                 |                                |                       |                      |                         |                |                |
| Cost of ores and metals sold                                 | (1,372)                        | (1,202)               | (840)                | (4,620)                 | (2,881)        | (2,066)        |
| Cost of logistic services                                    | (205)                          | (188)                 | (155)                | (705)                   | (513)          | (370)          |
| Cost of aluminum products                                    | (250)                          | (249)                 | (210)                | (893)                   | (674)          | (678)          |
| Others   | (2)                            | (6)                   | (3)                  | (11)                    | (13)           | (14)           |
|  | <b>(1,829)</b>                 | <b>(1,645)</b>        | <b>(1,208)</b>       | <b>(6,229)</b>          | <b>(4,081)</b> | <b>(3,128)</b> |
| Selling, general and administrative expenses                 | (175)                          | (160)                 | (133)                | (583)                   | (452)          | (265)          |
| Research and development                                     | (85)                           | (104)                 | (67)                 | (277)                   | (153)          | (82)           |
| Employee profit sharing plan                                 | (32)                           | (24)                  | (22)                 | (97)                    | (69)           | (32)           |
| Others   | (16)                           | (107)                 | (65)                 | (174)                   | (188)          | (199)          |
|  | <b>(2,137)</b>                 | <b>(2,040)</b>        | <b>(1,495)</b>       | <b>(7,360)</b>          | <b>(4,943)</b> | <b>(3,706)</b> |
| Operating income   | <b>1,461</b>                   | <b>1,405</b>          | <b>822</b>           | <b>5,432</b>            | <b>3,123</b>   | <b>1,644</b>   |
| Non-operating income (expenses)                              |                                |                       |                      |                         |                |                |
| Financial income   | 31                             | 36                    | 41                   | 123                     | 82             | 102            |
| Financial expenses   | (201)                          | (216)                 | (258)                | (560)                   | (671)          | (351)          |
| Foreign exchange and monetary gains (losses), net            | (166)                          | 163                   | 275                  | 299                     | 65             | 242            |

|   |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Gain on sale of investments   |              | 126          | 90           | 126          | 404          | 17           |
|   | <b>(336)</b> | <b>109</b>   | <b>148</b>   | <b>(12)</b>  | <b>(120)</b> | <b>10</b>    |
| Income before income taxes, equity results and minority interests   | <b>1,125</b> | <b>1,514</b> | <b>970</b>   | <b>5,420</b> | <b>3,003</b> | <b>1,654</b> |
| Income taxes  |              |              |              |              |              |              |
| Current   | (92)         | (172)        | (10)         | (754)        | (433)        | (90)         |
| Deferred  | 36           | (102)        | (386)        | (126)        | (316)        | (207)        |
|   | <b>(56)</b>  | <b>(274)</b> | <b>(396)</b> | <b>(880)</b> | <b>(749)</b> | <b>(297)</b> |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 213          | 194          | 179          | 760          | 542          | 306          |
| Minority interests  | (86)         | (117)        | (32)         | (459)        | (223)        | (105)        |
| Income from continuing operations   | <b>1,196</b> | <b>1,317</b> | <b>721</b>   | <b>4,841</b> | <b>2,573</b> | <b>1,558</b> |
| Change in accounting practice for asset retirement obligations (Note 4(a))                                  |              |              |              |              |              | (10)         |
| Net income  | <b>1,196</b> | <b>1,317</b> | <b>721</b>   | <b>4,841</b> | <b>2,573</b> | <b>1,548</b> |
| Basic and diluted earnings per Preferred Class A Share  | <b>1.04</b>  | <b>1.14</b>  | <b>0.63</b>  | <b>4.20</b>  | <b>2.23</b>  | <b>1.34</b>  |
| Basic and diluted earnings per Common Share   | <b>1.04</b>  | <b>1.14</b>  | <b>0.63</b>  | <b>4.20</b>  | <b>2.23</b>  | <b>1.34</b>  |
| Weighted average number of shares outstanding (thousands of shares)   |              |              |              |              |              |              |
| Common shares   | 735,804      | 735,804      | 735,804      | 735,804      | 735,804      | 735,804      |
| Preferred Class A shares  | 415,716      | 415,716      | 415,716      | 415,716      | 415,716      | 415,714      |

*See notes to consolidated financial statements.*



**Table of Contents****Consolidated Statements of Cash Flows**  
**Expressed in millions of United States dollars**

|   | Three months ended (unaudited) |                       |                      | Year ended December 31, |              |              |
|---|--------------------------------|-----------------------|----------------------|-------------------------|--------------|--------------|
|   | December<br>31,<br>2005        | September<br>30, 2005 | December<br>31, 2004 | 2005                    | 2004         | 2003         |
| Cash flows from operating activities:   |                                |                       |                      |                         |              |              |
| Net income  | 1,196                          | 1,317                 | 721                  | 4,841                   | 2,573        | 1,548        |
| Adjustments to reconcile net income to cash provided by operating activities:                               |                                |                       |                      |                         |              |              |
| Depreciation, depletion and amortization  | 183                            | 171                   | 119                  | 619                     | 399          | 238          |
| Dividends received  | 136                            | 158                   | 60                   | 489                     | 200          | 197          |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (213)                          | (194)                 | (179)                | (760)                   | (542)        | (306)        |
| Deferred income taxes   | (36)                           | 102                   | 386                  | 126                     | 316          | 207          |
| Provisions for contingencies  | 18                             | 10                    | 42                   | 27                      | 137          | 9            |
| Impairment of property, plant and equipment   |                                | 18                    | 4                    | 26                      | 34           | 51           |
| Gain on sale of investments   |                                | (126)                 | (90)                 | (126)                   | (404)        | (17)         |
| Change in accounting practice for asset retirement obligations (Note 4(a))                                  |                                |                       |                      |                         |              | 10           |
| Foreign exchange and monetary losses (gains)  | 235                            | (201)                 | (106)                | (237)                   | 112          | (382)        |
| Unrealized derivative losses, net   | 126                            | 65                    | 66                   | 101                     | 134          | 43           |
| Minority interests  | 86                             | 117                   | 32                   | 459                     | 223          | 105          |
| Interest payable, net   | 14                             | 12                    | 38                   | 62                      | 93           | 24           |
| Others  | (62)                           | (15)                  | (70)                 | (159)                   | (123)        | (27)         |
| Decrease (increase) in assets:  |                                |                       |                      |                         |              |              |
| Accounts receivable   | (133)                          | 281                   | 57                   | (416)                   | (98)         | 37           |
| Inventories   | (24)                           | (44)                  | (95)                 | (138)                   | (216)        | (22)         |
| Others  | 63                             | (441)                 | (76)                 | (639)                   | (78)         | (9)          |
| Increase (decrease) in liabilities:   |                                |                       |                      |                         |              |              |
| Suppliers   | 113                            | (21)                  | 288                  | 279                     | 230          | (18)         |
| Payroll and related charges   | 40                             | 22                    | 22                   | 40                      | 28           | (25)         |
| Income taxes  | (229)                          | 396                   | (22)                 | 413                     | 348          |              |
| Others  | 3                              | 161                   | (126)                | 154                     | 105          | 94           |
| Net cash provided by operating activities   | <b>1,516</b>                   | <b>1,788</b>          | <b>1,071</b>         | <b>5,161</b>            | <b>3,471</b> | <b>1,757</b> |

## Cash flows from investing activities:

## Loans and advances receivable

## Related parties

|  |                |                |              |                |                |                |
|--|----------------|----------------|--------------|----------------|----------------|----------------|
| Additions  | 1              | (1)            | (21)         | (27)           | (33)           | (157)          |
| Repayments   | 62             | 28             | 5            | 115            | 51             | 71             |
| Others   |                | (1)            | 2            |                | 18             | 35             |
| Guarantees and deposits                                  | (7)            | (32)           | (21)         | (59)           | (111)          | (99)           |
| Additions to investments                                 | (12)           |                | (15)         | (103)          | (34)           | (68)           |
| Additions to property, plant and equipment               | (1,237)        | (1,302)        | (877)        | (3,977)        | (2,022)        | (1,543)        |
| Proceeds from disposal of investments                    |                | 126            | 164          | 126            | 579            | 83             |
| Proceeds from disposals of property, plant and equipment | 12             | 1              | 7            | 16             | 11             | 58             |
| Cash used to acquire subsidiaries, net of cash acquired  | (737)          |                |              | (737)          |                | (380)          |
| <b>Net cash used in investing activities</b>             | <b>(1,918)</b> | <b>(1,181)</b> | <b>(756)</b> | <b>(4,646)</b> | <b>(1,541)</b> | <b>(2,000)</b> |

## Cash flows from financing activities:

## Short-term debt, net issuances (repayments)

## Loans

## Related parties

|  |            |              |              |              |                |              |
|--|------------|--------------|--------------|--------------|----------------|--------------|
| Additions  | 3          |              |              | 10           | 21             | 72           |
| Repayments   |            | (17)         | (18)         | (43)         | (27)           | (26)         |
| Issuances of long-term debt                                |            |              |              |              |                |              |
| Related parties  |            |              | 20           | 15           | 20             | 14           |
| Others   | 1,386      | 22           | 96           | 1,757        | 1,031          | 1,025        |
| Repayments of long-term debt                               |            |              |              |              |                |              |
| Related parties  |            |              |              |              | (3)            | (4)          |
| Others   | (140)      | (156)        | (390)        | (884)        | (1,283)        | (766)        |
| Interest attributed to stockholders                        | (800)      |              | (518)        | (1,300)      | (787)          | (675)        |
| <b>Net cash provided by (used in) financing activities</b> | <b>320</b> | <b>(345)</b> | <b>(910)</b> | <b>(531)</b> | <b>(1,088)</b> | <b>(398)</b> |

## Increase (decrease) in cash and cash equivalents

|  |       |    |      |       |       |     |
|--|-------|----|------|-------|-------|-----|
| Effect of exchange rate changes on cash and cash equivalents | (112) | 17 | (95) | (192) | (204) | 135 |
|  |       |    |      |       | 26    |     |

|  |              |              |              |              |              |            |
|--|--------------|--------------|--------------|--------------|--------------|------------|
| Initial cash in new consolidated subsidiary<br>Cash and cash equivalents,<br>beginning of period | 1,235        | 956          | 1,939        | 1,249        | 585          | 1,091      |
| Cash and cash equivalents,<br>end of period  | <b>1,041</b> | <b>1,235</b> | <b>1,249</b> | <b>1,041</b> | <b>1,249</b> | <b>585</b> |
| Cash paid during the period<br>for:  |              |              |              |              |              |            |
| Interest on short-term debt  | (8)          | (1)          | (3)          | (9)          | (5)          | (7)        |
| Interest on long-term debt   | (55)         | (71)         | (82)         | (243)        | (295)        | (178)      |
| Income tax   | (29)         | (202)        | (108)        | (481)        | (108)        | (55)       |
| Non-cash transactions  |              |              |              |              |              |            |
| Conversion of loans to<br>investments  |              |              |              |              |              | (187)      |
| Income tax paid with credits   | (65)         | (16)         |              | (161)        | (100)        | (81)       |
| Interest capitalized   | (52)         | (10)         | (9)          | (86)         | (31)         | (19)       |

*See notes to consolidated financial statements.*

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

|   | Three months ended (unaudited) |                       |                      | Year ended December 31, |         |         |
|---|--------------------------------|-----------------------|----------------------|-------------------------|---------|---------|
|   | December 31,<br>2005           | September 30,<br>2005 | December 31,<br>2004 | 2005                    | 2004    | 2003    |
| Preferred class A stock (including three special share) |                                |                       |                      |                         |         |         |
| Beginning of the period                                 | 2.150                          | 2.150                 | 1.176                | 1.176                   | 1.055   | 904     |
| Transfer from appropriated retained earnings            |                                |                       |                      | 974                     | 121     | 151     |
| End of the period                                       | 2.150                          | 2.150                 | 1.176                | 2.150                   | 1.176   | 1.055   |
| Common stock  |                                |                       |                      |                         |         |         |
| Beginning of the period                                 | 3.806                          | 3.806                 | 2.121                | 2.121                   | 1.902   | 1.630   |
| Transfer from appropriated retained earnings            |                                |                       |                      | 1.685                   | 219     | 272     |
| End of the period                                       | 3.806                          | 3.806                 | 2.121                | 3.806                   | 2.121   | 1.902   |
| Treasury stock  |                                |                       |                      |                         |         |         |
| Beginning and end of the period                         | (88)                           | (88)                  | (88)                 | (88)                    | (88)    | (88)    |
| Additional paid-in capital                              |                                |                       |                      |                         |         |         |
| Beginning and end of the period                         | 498                            | 498                   | 498                  | 498                     | 498     | 498     |
| Other cumulative comprehensive deficit                  |                                |                       |                      |                         |         |         |
| Cumulative translation adjustments                      |                                |                       |                      |                         |         |         |
| Beginning of the period                                 | (2.269)                        | (2.859)               | (4.296)              | (3.869)                 | (4.449) | (5.185) |
| Change in the period                                    | (587)                          | 590                   | 427                  | 1.013                   | 580     | 736     |

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|   |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| End of the period                                 | <b>(2.856)</b> | <b>(2.269)</b> | <b>(3.869)</b> | <b>(2.856)</b> | <b>(3.869)</b> | <b>(4.449)</b> |
| Adjustments relating to investments in affiliates |                |                |                |                |                |                |
| Beginning of the period                           |                |                |                |                |                | 10             |
| Transfer to retained earnings                     |                |                |                |                |                | (10)           |
| End of the period                                 |                |                |                |                |                | -              |
| Unrealized gain on available-for-sale securities  |                |                |                |                |                |                |
| Beginning of the period                           | 164            | 115            | 82             | 95             | 74             |                |
| Change in the period                              | (37)           | 49             | 13             | 32             | 21             | 74             |
| End of the period                                 | <b>127</b>     | <b>164</b>     | <b>95</b>      | <b>127</b>     | <b>95</b>      | <b>74</b>      |
| Total other cumulative comprehensive deficit      | <b>(2.729)</b> | <b>(2.105)</b> | <b>(3.774)</b> | <b>(2.729)</b> | <b>(3.774)</b> | <b>(4.375)</b> |
| Appropriated retained earnings                    |                |                |                |                |                |                |
| Beginning of the period                           | 1.936          | 1.829          | 2.719          | 4.143          | 3.035          | 2.230          |
| Transfer from retained earnings                   | 2.421          | 107            | 1.424          | 2.873          | 1.448          | 1.228          |
| Transfer to capital stock                         |                |                |                | (2.659)        | (340)          | (423)          |
| End of the period                                 | <b>4.357</b>   | <b>1.936</b>   | <b>4.143</b>   | <b>4.357</b>   | <b>4.143</b>   | <b>3.035</b>   |
| Unappropriated retained earnings                  |                |                |                |                |                |                |
| Beginning of the period                           | 6.008          | 4.798          | 4.268          | 3.315          | 2.857          | 3.288          |
| Net income  | 1.196          | 1.317          | 721            | 4.841          | 2.573          | 1.548          |
| Dividends and interest attributed to stockholders |                |                |                |                |                |                |
| Preferred class A stock                           | (289)          |                | (90)           | (469)          | (241)          | (275)          |
| Common stock                                      | (511)          |                | (160)          | (831)          | (426)          | (486)          |

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|  |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Appropriation to reserves  | (2.421)              | (107)                | (1.424)              | (2.873)              | (1.448)              | (1.218)              |
| End of the period  | <b>3.983</b>         | <b>6.008</b>         | <b>3.315</b>         | <b>3.983</b>         | <b>3.315</b>         | <b>2.857</b>         |
| Total stockholders equity  | <b>11.977</b>        | <b>12.205</b>        | <b>7.391</b>         | <b>11.977</b>        | <b>7.391</b>         | <b>4.884</b>         |
| Comprehensive income is comprised as follows:                        |                      |                      |                      |                      |                      |                      |
| Net income   | 1.196                | 1.317                | 721                  | 4.841                | 2.573                | 1.548                |
| Cumulative translation adjustments                                   | (587)                | 590                  | 427                  | 1.013                | 580                  | 736                  |
| Unrealized gain (loss) on available-for-sale securities              | (37)                 | 49                   | 13                   | 32                   | 21                   | 74                   |
| Total comprehensive income   | <b>572</b>           | <b>1.956</b>         | <b>1.161</b>         | <b>5.886</b>         | <b>3.174</b>         | <b>2.358</b>         |
| <b>Shares</b>  |                      |                      |                      |                      |                      |                      |
| Preferred class A stock (including three special share)              | <b>415.727.739</b>   | <b>415.727.739</b>   | <b>415.727.739</b>   | <b>415.727.739</b>   | <b>415.727.739</b>   | <b>415.727.739</b>   |
| Common stock   | <b>749.949.429</b>   | <b>749.949.429</b>   | <b>749.949.429</b>   | <b>749.949.429</b>   | <b>749.949.429</b>   | <b>749.949.429</b>   |
| Treasury stock (1)   |                      |                      |                      |                      |                      |                      |
| Beginning of the period  | (14.157.313)         | (14.157.313)         | (14.157.477)         | (14.157.461)         | (14.158.059)         | (14.158.953)         |
| Sales  | 345                  |                      | 16                   | 493                  | 598                  | 894                  |
| End of the period  | <b>(14.156.968)</b>  | <b>(14.157.313)</b>  | <b>(14.157.461)</b>  | <b>(14.156.968)</b>  | <b>(14.157.461)</b>  | <b>(14.158.059)</b>  |
|  | <b>1.151.520.200</b> | <b>1.151.519.855</b> | <b>1.151.519.707</b> | <b>1.151.520.200</b> | <b>1.151.519.707</b> | <b>1.151.519.109</b> |
| <b>Dividends and interest attributed to stockholders (per share)</b> |                      |                      |                      |                      |                      |                      |
| Preferred class A stock (including three special share)              | 0,70                 |                      | 0,22                 | 1,13                 | 0,58                 | 0,66                 |

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|              |      |      |      |      |      |
|--------------|------|------|------|------|------|
| Common stock | 0,70 | 0,22 | 1,13 | 0,58 | 0,66 |
|--------------|------|------|------|------|------|

(1) As of December 31, 2005, 14,145,510 common shares and 11,458 preferred shares were held in treasury in the amount of US\$ 88. The 14,145,510 common shares are provided as collateral to secure a loan of our subsidiary Alunorte.

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**Table of Contents****Notes to the Consolidated Financial Statements****Expressed in millions of United States dollars, unless otherwise stated****1 The Company and its operation**

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our operations and those of our joint ventures and affiliates are described in Note 13.

The main operating subsidiaries we consolidate are as follows:

| <b>Subsidiary</b>  | <b>% ownership</b> | <b>% voting capital</b> | <b>Head office location</b> | <b>Principal activity</b>              |
|--|--------------------|-------------------------|-----------------------------|--|
| Alumina do Norte do Brasil S.A.<br>Alunorte ( Alunorte ) | 57                 | 61                      | Brazil                      | Alumina                                |
| Alumínio Brasileiro S.A. Albras<br>( Albras )            | 51                 | 51                      | Brazil                      | Aluminum                               |
| CADAM S.A (CADAM) (1)                                    | 37                 | 100                     | Brazil                      | Kaolin                                 |
| CVRD Overseas Ltd.                                       | 100                | 100                     | Cayman Islands              | Trading                                |
| Ferrovias Centro-Atlântica S. A.                         | 100                | 100                     | Brazil                      | Logistics                              |
| Itabira Rio Doce Company Ltd.<br>ITACO                   | 100                | 100                     | Cayman Islands              | Trading                                |
| Minerações Brasileiras Reunidas<br>S.A. MBR (2)          | 56                 | 90                      | Brazil                      | Iron ore                               |
| Mineração Onça Puma Ltda                                 | 99                 | 99                      | Brazil                      | Nickel                                 |
| Navegação Vale do Rio Doce S.A.<br>DOCENAVE              | 100                | 100                     | Brazil                      | Shipping                               |
| Pará Pigmentos S.A. (1)                                  | 76                 | 86                      | Brazil                      | Kaolin                                 |
| Rio Doce International Finance Ltd.<br>RDIF              | 100                | 100                     | Bahamas                     | International finance                  |
| Rio Doce Manganês S.A.                                   | 100                | 100                     | Brazil                      | Manganese and<br>Ferroalloys           |
| Rio Doce Manganèse Europe<br>RDME                        | 100                | 100                     | France                      | Ferroalloys                            |
| Rio Doce Manganese Norway<br>RDMN                        | 100                | 100                     | Norway                      | Ferroalloys                            |
| Salobo Metais S.A.                                       | 100                | 100                     | Brazil                      | Copper                                 |
| Urucum Mineração S.A.                                    | 100                | 100                     | Brazil                      | Iron ore, Ferroalloys<br>and Manganese |

(1) Through Caemi Mineração e Metalurgia S.A.. CVRD holds 60.2% of the total capital and 100% of the voting capital.

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

**2 Basis of consolidation**

All majority-owned subsidiaries in which we have both share and management control are consolidated. All significant intercompany accounts and transactions are eliminated. As from January 1, 2004, our variable interest entities in which we are the primary beneficiary (Note 4(b)) are



consolidated. Investments in unconsolidated affiliates and joint ventures are reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders' agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders' equity where applicable (Note 13).

We evaluate the carrying value of our listed investments relative to publicly available quoted market prices. If the quoted market price is below book value, and such decline is considered other than temporary, we write-down our equity investments to quoted market value.

We define joint ventures as businesses in which we and a small group of other partners each participate actively in the overall entity management, based on a shareholders' agreement. We define affiliates as businesses in which we participate as a minority stockholder but with significant influence over the operating and financial policies of the investee.

Our condensed consolidated interim financial information for the three-month periods ended December 31, 2005, September 30, 2005, and December 31, 2004 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods.

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

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**3 Summary of significant accounting policies**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post-retirement benefits and other similar evaluations. Actual results could differ from those estimates.

**(a) Basis of presentation**

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ( US GAAP ), which differ in certain respects from the accounting practices adopted in Brazil that we use in preparing our statutory financial statements.

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

Prior to July 1, 1997, Brazil was considered under SFAS 52 to have a highly inflationary economy and accordingly, up to June 30, 1997, we adopted the U.S. dollar as both our functional currency and reporting currency.

As from July 1, 1997, we concluded that the Brazilian economy had ceased to be highly inflationary and changed our functional currency from the reporting currency (U.S. dollars) to the local currency (Brazilian Reais), for Brazilian operations and extensions thereof. Accordingly, we translated the U.S. dollar amounts of non-monetary assets and liabilities into Reais at the current exchange rate, and those amounts became the new accounting bases for such assets and liabilities.

We have remeasured all assets and liabilities into U.S. dollars at the current exchange rate at each balance sheet date (R\$2.3370 and R\$2.6544 to US\$1.00 or the first available exchange rate if exchange on December 31, was not available), and all accounts in the statements of income (including amounts relative to local currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the period. The translation gain or loss resulting from this remeasurement process is included in the cumulative translation adjustments account in stockholders' equity.

The net exchange transaction gain (loss) included in our statement of income was US\$227, US\$79 and US\$222 in 2005, 2004 and 2003, respectively, included within the line Foreign exchange and monetary gains (losses), net .

**(b) Business combinations**

We adopt the procedures determined by SFAS 141 Business Combinations to recognize acquisitions of interests in other companies. The method of accounting used in our business combination transactions is the purchase method , which requires that acquirers reasonably determine the fair value of the identifiable assets and liabilities of acquired companies, individually, in order to determine the goodwill paid in the purchase to be recognized as an intangible asset. On the acquisition of assets, which include the rights to mine reserves of natural resources, the establishment of values for these assets includes the placing of fair values on purchased reserves, which are classified in the balance sheet as property, plant and equipment.

Goodwill was amortized in a systematic manner over the periods estimated to be benefited through December 31, 2001. As required by SFAS 142 Goodwill and Other Intangible Assets from January 1, 2002 goodwill resulting from the acquisitions is no longer amortized, but is tested for impairment at least annually and reduced to fair value to the extent any such impairment is identified.

**(c) Inventories**

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Inventories are stated at the average cost of purchase or production, lower than replacement or realizable values. We record allowances for slow moving or obsolete inventories when considered appropriate, reflecting our periodic assessment of recoverability. A write-down of inventory utilizing the allowance establishes a new cost basis for the related inventory.

Finished goods inventories include all related materials, labor and direct production expenditures, and exclude general and administrative expenses.

**(d) Property, plant and equipment**

Property, plant and equipment are recorded at cost, including interest cost incurred during the construction of major new facilities. We compute depreciation on the straight-line basis at annual rates which take into consideration the useful lives of the items, such as: from 2% to 20% for the railroads, 5% for ships, 3% for buildings, from 2% to 5% for installations and from 5% to 20% for mining and other equipment. Expenditures for maintenance and repairs are charged to operating costs and expenses as incurred.

We capitalize the costs of developing major new ore bodies or expanding the capacity of operating mines and amortize these to operations on the unit-of-production method based on the total probable and proven quantity of ore to be recovered. Exploration costs are expensed until economic viability of mining activities is established; subsequently such costs are capitalized together with further exploration costs. We capitalize mine development costs as from the time we actually begin such development.

**(e) Available-for-sale equity securities**

Equity securities classified as available-for-sale are recorded in accordance with SFAS 115 Accounting for Certain Investments in Debt and Equity Securities . Accordingly, we exclude unrealized holding gains and losses, net of taxes, if applicable, from income and recognize them, net of tax effects, as a separate component of stockholders equity until realized.

**(f) Revenues and expenses**

Revenues are recognized when title has transferred to the customer or services are rendered. Revenue from exported products is recognized when such products are loaded on board the ship. Revenue from products sold in the domestic market is recognized when delivery is made to the customer. Revenue from transportation services, other than shipping operations, is recognized when the service order has been fulfilled. Shipping operations are recorded on the completed voyage basis and net revenue, costs and expenses of voyages not completed at period-end are deferred. Anticipated losses on voyages are provided when probable and can be reasonably estimated. Expenses and costs are recognized on the accrual basis.

**(g) Environmental and site reclamation and restoration costs**

Expenditures relating to ongoing compliance with environmental regulations are charged against earnings or capitalized as appropriate. These ongoing programs are designed to minimize the environmental impact of our activities.

**(h) Compensated absences**

We fully accrue the employees compensation liability for vacations vested during the year.

**(i) Income taxes**

In accordance with SFAS 109 Accounting for Income Taxes , the deferred tax effects of tax loss carryforwards and temporary differences have been recognized in the consolidated financial statements. A valuation allowance is made when we believe that it is more likely than not that tax assets will not be fully recoverable in the future.

**(j) Statement of cash flows**

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Cash flows relating to overnight financing and investment are reported net. Short-term investments that have a ready market and maturity to us, when purchased, of 90 days or less are considered cash equivalents.

**(k) Earnings per share**

Earnings per share are computed by dividing net income by the weighted average number of common and preferred shares outstanding during the period.

**(l) Interest attributed to stockholders**

As from January 1, 1996 Brazilian corporations are permitted to distribute interest attributable to stockholders equity. The calculation is based on the stockholders equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate (TJLP) determined by the Brazilian Central Bank. Also, such interest may not exceed 50% of net income for the year nor 50% of retained earnings plus revenue reserves.

The amount of interest attributed to stockholders is deductible for purposes of taxes on income. Accordingly, the benefit to us, as opposed to making a dividend payment, is a reduction in our income tax charge. Income tax is withheld from the stockholders relative to interest at the rate of 15%.

Under Brazilian law, interest attributable to stockholders is considered as part of the annual minimum dividend (Note 16). Accordingly such distributions are treated as dividends for accounting purposes.

We have opted to pay such tax-deductible interest to our stockholders and have therefore accrued the amounts due as of December 31, 2005, 2004 and 2003, with a direct charge to stockholders equity.

**(m) Derivatives and hedging activities**

As of January 1, 2001 we adopted SFAS 133 Accounting for Derivative Financial Instruments and Hedging Activities, as amended by SFAS 137, SFAS 138 and SFAS 149. Those standards require that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in current earnings or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge. No contracts have been designed as an effective hedge in the years presented.

**(n) Comprehensive income**

We have disclosed comprehensive income as part of the Statement of Changes in Stockholders Equity, in compliance with SFAS 130 Reporting Comprehensive Income.

**(o) Stockpiled inventory**

We classify proven and probable reserve quantities attributable to stockpiled inventory as inventory and account for them as processed when they are removed from the mine. These reserve quantities are not included in the total proven and probable reserve quantities used in the units of production, depreciation, depletion and amortization calculations.

**(p) Removal of waste materials to access mineral deposits**

During the development of a mine, before production commences, stripping costs (i.e., the costs associated with the removal of overburden and other waste materials) are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over the useful life of the mine based on proven and probable reserves.

Post-production stripping costs are recorded as cost of production when incurred.

**Table of Contents****4 Change in accounting practice**

## (a) 2003 SFAS 143

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS 143 Accounting for Asset Retirement Obligations. We adopted SFAS 143 as from January 1, 2003, and as a consequence an additional US\$26 for asset retirement obligations was recorded as Others long-term liabilities, a net increase of US\$11 in mine development costs was registered within Property, plant and equipment and a resulting charge of US\$10 was registered as Change in Accounting Practice for Asset Retirement Obligations on the Statement of Income, net of income tax (US\$15 gross of deferred income tax). The liabilities will be accreted in the future for the change in their present value and initial capitalized costs will be amortized over the useful lives of the related assets.

## (b) 2004 FIN 46R

As from January 1, 2004 we have consolidated Albras based on our 51% interest in that entity under FASB Interpretation (FIN) Consolidation of Variable Interest Entities (revised December 2003). Albras is an aluminum company with revenues of US\$803, US\$707 and US\$805 in 2005, 2004 and 2003, respectively and total assets of US\$1,144 for the year ended December 31, 2005 (US\$805 in 2004) which sells all of its output to its shareholders based on their respective participations.

Had Albras been consolidated at and for the year ended December 31, 2003 CVRD's consolidated statement of income would have been as follows:

|  | <b>CVRD</b>  | <b>Albras</b> | <b>2003<br/>Pro Forma<br/>(unaudited)</b> |
|--|--------------|---------------|---|
| Net revenues                                       | 5,350        | 165           | 5,515                                     |
| Cost of sales                                      | (3,128)      | 58            | (3,070)                                   |
| Operating costs                                    | (578)        | (16)          | (594)                                     |
| Non-operating income (expense)                     | 10           | 34            | 44  |
| Income taxes                                       | (297)        | (36)          | (333)                                     |
| Equity in results of affiliates and joint ventures | 306          | (105)         | 201                                       |
| Change in accounting practice                      | (10)         |               | (10)                                      |
| Minority interests                                 | (105)        | (100)         | (205)                                     |
| Net income   | <b>1,548</b> |               | <b>1,548</b>                              |

**5 Recently-issued accounting pronouncements**

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

In November 2005, the FASB issued PSP Nos. FAS 115-1 e FAS 124-1, The meaning of other-than-temporary impairment and its application to certain investments which sets the determination as to when an investment is considered impaired, whether that impairment is temporary, and the measurement of an impairment loss. We will apply this statement, if applicable, from fiscal periods beginning after December 15, 2005.



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In October 2005, the FASB issued FAS No. 13-1, *Accounting for rental costs incurred during a construction period* which addresses the accounting for rental costs associated with operating leases that are incurred during a construction period. We will apply this statement, if applicable, from fiscal periods beginning after December 15, 2005.

In October 2005, the FASB issued FAS No. 123(R)-2, *Practical accommodation to the application of grant date as defined in FASB Statement N° 123(R)* which recent inquiries from constituents to provide guidance on the application of grant date as defined in FASB Statement N° 123 (revised 2005), *Share-Based Payment*. We will apply this statement, if applicable, from fiscal periods beginning after December 15, 2005.

In July 2005, the FASB issued FSP No. APB 18-1, *Accounting by an investor for its proportionate share of accumulated other comprehensive income of an investee accounted for under the equity method in accordance with APB Opinion n° 18 upon a loss of significant influence* which sets reporting on how an investor should account for its proportionate share of an investee's equity adjustments for other comprehensive income upon a loss of significant influence. We will apply this statement, if applicable, from fiscal periods beginning after July 2005.

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* which sets reporting of a change in accounting principles or errors. We do not expect FASB No. 154 to have a significant impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued FSP FIN 46(R)-5, *Consolidation of Variable Interests Entities* to address whether a reporting enterprise should consider whether it holds an implicit variable interest in a variable interest entity (VIE) or potential VIE when specific conditions exist. We adopted FSP FIN 46(R)-5 it which had no impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* which refers to legal obligations to perform an asset retirement activities. We do not expect FASB Interpretation No. 47 to have a significant impact on our financial position, results of operations or cash flows .

## **6 Our privatization**

In May 1997, we were privatized by the Brazilian Government, which transferred voting control to Valepar S.A. ( Valepar ). The Brazilian Government has retained certain rights with respect to our future decisions and those of Valepar and has also caused us to enter into agreements which may affect our activities and results of operations in the future. These rights and agreements are:

Preferred Special Share. The Brazilian Government holds three preferred special shares of CVRD which confers upon it permanent veto rights over changes in our (i) name, (ii) location of our headquarters (iii) corporate purpose with respect to mineral exploration, (iv) continued operation of our integrated iron ore mining systems and (v) certain other matters.

Shareholder revenue interests. On July 7, 1997, we issued to shareholders of record on April 18, 1997 (including the Brazilian Government) revenue interests providing holders thereof with the right to receive semi-annual payments based on a percentage of our net revenues above threshold production volumes from identified mining resources. These instruments are not secured by the corresponding mineral reserves and deposits (Note 18(f)).

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

We made the following acquisitions during the periods presented. Pro forma information with respect to our acquisition of the control of Caemi in September 2003 is shown in item (a) below:

- (a) In December 2001, acting through our wholly-owned foreign subsidiary Itabira Rio Doce Company Ltd. ITACO, we acquired common shares of Caemi Mineração e Metalurgia S.A. (Caemi), corresponding to 16.82% of its total



capital and 50% of its voting capital from a wholly-owned subsidiary of Mitsui & Co., Ltd. ( Mitsui ) for US\$279. Caemi is a Brazilian company headquartered in Rio de Janeiro, which operates in the iron ore, kaolin, refractory bauxite and railroad sectors and was accounted for as an equity investee up to September 2, 2003 (see below).

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This acquisition was approved by the European Commission subject to the commitment by Caemi to sell its equity investment in Quebec Cartier Mining Company (QCM), a Canadian producer of iron ore and pellets. On December 31, 2003 Caemi sold its holding of QCM's common shares to the Quebec Provincial Government for the symbolic amount of 100 Canadian dollars and converted loans to QCM totaling 20 million Canadian dollars into preferred stock with no voting rights other than on matters required by law. In July 2005, we sold our remaining QCM preferred shares to Dofasco Inc. (Dofasco) for US\$126. The accounting value of the investment had previously been completely written-off and therefore all proceeds were recorded as gain.

On September 2, 2003, CVRD and Mitsui, each of which held 50% of Caemi's common shares, entered into a shareholder agreement requiring both shareholders to approve all major decisions affecting Caemi.

At that time, we acquired a further 43.37% of the capital of Caemi for US\$426, increasing our total participation to 60.23%. Caemi has been consolidated as from this date.

The acquisition cost of the 43.37% of Caemi, net of cash acquired, was as follows:

|   | <b>September 2,<br/>2003</b> |
|---|------------------------------|
| Estimated fair value of assets                  | 1,699                        |
| Estimated fair value of liabilities             | (716)                        |
| Net assets at fair value                        | <b>983</b>                   |
| Interest in total capital acquired              | 43.37%                       |
| Estimated fair value of net assets acquired     | 426                          |
| Purchase price                                  | 426                          |
| Less cash acquired                              | (46)                         |
| Acquisition cost of Caemi, net of cash acquired | <b>380</b>                   |

**Caemi Pro forma**

The unaudited condensed pro forma statement of income below shows the impact of the acquisition of Caemi on the consolidated statements of income as if the current 60.23% participation in Caemi had been acquired on January 1, 2003.

|                              | <b>CVRD</b>         | <b>Pre-<br/>acquisition<br/>CAEMI</b> | <b>2003</b>                      |
|------------------------------|---------------------|---------------------------------------|----------------------------------|
|                              | <b>Consolidated</b> | <b>(1)</b>                            | <b>Pro Forma<br/>(unaudited)</b> |
| Net operating revenues       | 5,350               | 424                                   | 5,774                            |
| Operating costs and expenses | (3,706)             | (343)                                 | (4,049)                          |
| Operating income             | 1,644               | 81                                    | 1,725                            |
| Non-operating income         | 10                  | 16                                    | 26                               |

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|   |              |           |              |
|---|--------------|-----------|--------------|
| Income before income taxes, equity results and minority interests   | 1,654        | 97        | 1,751        |
| Income taxes  | (297)        | (41)      | (338)        |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 306          | (20)      | 286          |
| Minority interests  | (105)        | 18        | (87)         |
| Income from continuing operations   | 1,558        | 54        | 1,612        |
| Change in accounting practice for asset retirement obligations  | (10)         |           | (10)         |
| <b>Net income</b>   | <b>1,548</b> | <b>54</b> | <b>1,602</b> |

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(1) Period from January to August 2003 (consolidated as from September 2003).

In January 2006 The Board of Directors approved a proposal to exchange all remaining minority interest preferred shares of Caemi Mineração e Metalurgia S.A. (Caemi) for CVRD preferred shares (PNA) to be issued. Under Brazilian corporate law this procedure which is called incorporação de ações, or stock merger, is expected to result in Caemi becoming a wholly-owned subsidiary of CVRD.

- (b) On October 10, 2003, our subsidiary Companhia Paulista de Ferro Ligas (CPFL) finalized the sale of its shares in Fertilizantes Fosfatados S.A. (Fosfértil) to Bunge Fertilizantes S.A. for US\$84 realizing a gain of US\$61.
- (c) On November 7, 2003 we sold our investment in Companhia Ferroviária do Nordeste (CFN) to Companhia Siderurgica Nacional (CSN) for a symbolic amount, recording a loss on this transaction of US\$44.
- (d) On July 2004 we sold part of our stake in Companhia Siderúrgica de Tubarão (CST) representing 4.42% of the voting capital and 29.96% of the non-voting capital for US\$415. In December 2004 we concluded the sale of our remaining 20.51% voting capital interest for US\$165. The gains on these transactions were US\$314 and US\$90, respectively.
- (e) In November 2005, we acquired 93.0% of the voting capital of Canico Resource Corp. (Canico) a Canadian-based junior resource company focused on the development of the Onça-Puma nickel laterite, for US\$750. In December 2005, we acquired an additional 6.20% of the voting capital of Canico for US\$50. Canico's only significant asset other than US\$63 of cash and cash equivalents was US\$794 of mining rights. On February 10, 2006, we concluded the acquisition of the outstanding common shares of Canico, acquiring the remaining voting capital of Canico, 0.8% of its total capital for US\$6, which is now a wholly-owned subsidiary.

**8 Income taxes**

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

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

|   | Three months ended (unaudited) |                    |                   | Year ended December 31, |         |       |
|---|--------------------------------|--------------------|-------------------|-------------------------|---------|-------|
|   | December 31, 2005              | September 30, 2005 | December 31, 2004 | 2005                    | 2004    | 2003  |
| Income before income taxes, equity results and minority interests             | 1,125                          | 1,514              | 970               | 5,420                   | 3,003   | 1,654 |
| Federal income tax and social contribution expense at statutory enacted rates | (383)                          | (515)              | (330)             | (1,843)                 | (1,021) | (562) |
| Adjustments to derive effective tax rate:                                     |                                |                    |                   |                         |         |       |
| Tax benefit on interest attributed to stockholders                            | 72                             | 50                 | 65                | 307                     | 214     | 271   |
| Exempt foreign income (loss)  | 346                            | 143                | 69                | 617                     | 247     | (59)  |
| Difference on tax basis of equity investees                                   | (28)                           | (9)                | (135)             | (58)                    | (240)   | (56)  |
| Tax incentives  | (26)                           | 54                 | 9                 | 109                     | 53      | 60    |
| Valuation allowance reversal (provision)                                      |                                |                    | 6                 | 3                       | 77      | 53    |

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|   |      |       |       |       |       |       |
|---|------|-------|-------|-------|-------|-------|
| Non-taxable losses on derivative  |      |       | (57)  |       | (57)  |       |
| Other non-taxable gains (losses)  | (37) | 3     | (23)  | (15)  | (22)  | (4)   |
| Federal income tax and social contribution expense in consolidated statements of income | (56) | (274) | (396) | (880) | (749) | (297) |

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We have certain tax incentives relative to our iron ore and manganese operations in Carajás, our potash operations in Rosario do Catete, our alumina and aluminum operations in Barcarena and our kaolin operations in Ipixuna and Mazagão. The incentives relative to iron ore comprise full income tax exemption on defined production levels up to 2005 and for manganese partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels which expires in 2009 and 2013, respectively, while the partial exemption incentives relative to aluminum and kaolin expire in 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

The major components of the deferred tax accounts in the balance sheet are as follows:

|  | <b>As of December 31</b> |              |
|--|--------------------------|--------------|
|  | <b>2005</b>              | <b>2004</b>  |
| <b>Current deferred tax assets</b>                             |                          |              |
| Accrued expenses deductible only when disbursed                | 186                      | 110          |
| Interest attributed to stockholders                            |                          | 93           |
|  | <b>186</b>               | <b>203</b>   |
| <br>   |                          |              |
| <b>Long-term deferred tax assets and liabilities</b>           |                          |              |
| <b>Assets</b>  |                          |              |
| Tax deductible goodwill in business combinations               |                          | 10           |
| Related to provision for losses and write-downs of investments | 53                       | 51           |
| Employees post retirement benefits provision                   | 82                       | 83           |
| Tax loss carryforwards   | 275                      | 235          |
| Other temporary differences                                    | 3                        | 19           |
|  | <b>413</b>               | <b>398</b>   |
| <br>   |                          |              |
| <b>Liabilities</b>   |                          |              |
| Inflationary income  | (30)                     | (23)         |
| Relative to equity investments acquired                        | (144)                    | (115)        |
| Prepaid retirement benefit                                     | (105)                    | (58)         |
| Fair value adjustments in business combinations                | (52)                     | (55)         |
|  | <b>(331)</b>             | <b>(251)</b> |
| <br>   |                          |              |
| <b>Valuation allowance</b>                                     |                          |              |
| Beginning balance  | (77)                     | (112)        |
| Translation adjustments  | (10)                     | (42)         |
| Change in allowance  | 3                        | 77           |
| Ending balance   | (84)                     | (77)         |
| <br>   |                          |              |
| <b>Net long-term deferred tax assets</b>                       | <b>(2)</b>               | <b>70</b>    |

**9 Cash and cash equivalents**

|   | <b>As of December 31</b> |              |
|---|--------------------------|--------------|
|   | <b>2005</b>              | <b>2004</b>  |
| Cash  | 177                      | 123          |
| Deposits denominated in local currency        | 297                      | 385          |
| Deposits denominated in United States dollars | 567                      | 741          |
|   | <b>1,041</b>             | <b>1,249</b> |

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**Table of Contents****10 Accounts receivable**

|  | <b>As of December 31</b> |              |
|--|--------------------------|--------------|
|  | <b>2005</b>              | <b>2004</b>  |
| Customers  |                          |              |
| Domestic   | 349                      | 236          |
| Export, all denominated in United States dollars | 1,355                    | 847          |
|  | <b>1,704</b>             | <b>1,083</b> |
| Allowance for doubtful accounts                  | (42)                     | (37)         |
| Allowance for ore weight credits                 | (13)                     | (17)         |
| Total  | <b>1,649</b>             | <b>1,029</b> |

Accounts receivable from customers in the steel industry represent 48.7% of domestic receivables and 70.8% of export receivables at December 31, 2005.

No single customer accounted for more than 10% of total revenues in any of the years presented.

**11 Inventories**

|                                      | <b>As of December 31</b> |             |
|--------------------------------------|--------------------------|-------------|
|                                      | <b>2005</b>              | <b>2004</b> |
| Finished products                    |                          |             |
| Iron ore and pellets                 | 271                      | 205         |
| Manganese and ferroalloys            | 151                      | 156         |
| Alumina                              | 22                       | 20          |
| Aluminum                             | 52                       | 54          |
| Kaolin                               | 18                       | 17          |
| Others                               | 28                       | 11          |
| Spare parts and maintenance supplies | 600                      | 386         |
|                                      | <b>1,142</b>             | <b>849</b>  |



**Table of Contents****12 Property, plant and equipment****a) By business area:**

|                          | As of December 31, 2005 |                          |               | As of December 31, 2004 |                          |              |
|--------------------------|-------------------------|--------------------------|---------------|-------------------------|--------------------------|--------------|
|                          | Cost                    | Accumulated depreciation | Net           | Cost                    | Accumulated depreciation | Net          |
| <b>Ferrous</b>           |                         |                          |               |                         |                          |              |
| Iron ore                 | 8,488                   | 3,190                    | 5,298         | 5,916                   | 2,427                    | 3,489        |
| Pelletizing              | 565                     | 197                      | 368           | 430                     | 160                      | 270          |
| Ferroalloys              | 359                     | 191                      | 168           | 362                     | 197                      | 165          |
| Energy                   | 383                     | 29                       | 354           | 198                     | 18                       | 180          |
| Construction in progress | 2,049                   |                          | 2,049         | 1,546                   |                          | 1,546        |
|                          | <b>11,844</b>           | <b>3,607</b>             | <b>8,237</b>  | <b>8,452</b>            | <b>2,802</b>             | <b>5,650</b> |
| <b>Non-Ferrous</b>       |                         |                          |               |                         |                          |              |
| Copper                   | 748                     | 114                      | 634           | 578                     | 71                       | 507          |
| Potash                   | 175                     | 45                       | 130           | 65                      | 30                       | 35           |
| Gold                     | 6                       | 2                        | 4             | 6                       | 2                        | 4            |
| Kaolin                   | 329                     | 130                      | 199           | 254                     | 97                       | 157          |
| Research and projects    | 33                      | 10                       | 23            | 33                      | 19                       | 14           |
| Construction in progress | 1,281                   |                          | 1,281         | 731                     |                          | 731          |
|                          | <b>2,572</b>            | <b>301</b>               | <b>2,271</b>  | <b>1,667</b>            | <b>219</b>               | <b>1,448</b> |
| <b>Logistics</b>         |                         |                          |               |                         |                          |              |
| General cargo            | 1,222                   | 306                      | 916           | 769                     | 232                      | 537          |
| Maritime transportation  | 14                      | 5                        | 9             | 31                      | 8                        | 23           |
| Construction in progress | 74                      |                          | 74            | 114                     |                          | 114          |
|                          | <b>1,310</b>            | <b>311</b>               | <b>999</b>    | <b>914</b>              | <b>240</b>               | <b>674</b>   |
| <b>Holdings</b>          |                         |                          |               |                         |                          |              |
| Aluminum                 | 1,495                   | 552                      | 943           | 1,317                   | 445                      | 872          |
| Others                   | 72                      | 5                        | 67            | 1                       |                          | 1            |
| Construction in progress | 1,148                   |                          | 1,148         | 230                     |                          | 230          |
|                          | <b>2,715</b>            | <b>557</b>               | <b>2,158</b>  | <b>1,548</b>            | <b>445</b>               | <b>1,103</b> |
| <b>Corporate Center</b>  |                         |                          |               |                         |                          |              |
| Corporate                | 322                     | 82                       | 240           | 68                      | 43                       | 25           |
| Construction in progress | 261                     |                          | 261           | 163                     |                          | 163          |
|                          | <b>583</b>              | <b>82</b>                | <b>501</b>    | <b>231</b>              | <b>43</b>                | <b>188</b>   |
| <b>Total</b>             | <b>19,024</b>           | <b>4,858</b>             | <b>14,166</b> | <b>12,812</b>           | <b>3,749</b>             | <b>9,063</b> |

**b) By type of assets:**

|                          | As of December 31, 2005 |                             |               | As of December 31, 2004 |                             |              |
|--------------------------|-------------------------|-----------------------------|---------------|-------------------------|-----------------------------|--------------|
|                          | Cost                    | Accumulated<br>depreciation | Net           | Cost                    | Accumulated<br>depreciation | Net          |
| Land and buildings       | 1,205                   | 447                         | 758           | 991                     | 396                         | 595          |
| Installations            | 4,917                   | 1,596                       | 3,321         | 3,600                   | 1,262                       | 2,338        |
| Equipment                | 1,855                   | 711                         | 1,144         | 1,218                   | 574                         | 644          |
| Railroads                | 2,846                   | 987                         | 1,859         | 2,091                   | 884                         | 1,207        |
| Mine development costs   | 1,945                   | 281                         | 1,664         | 1,345                   | 150                         | 1,195        |
| Others                   | 1,443                   | 836                         | 607           | 783                     | 483                         | 300          |
|                          | <b>14,211</b>           | <b>4,858</b>                | <b>9,353</b>  | <b>10,028</b>           | <b>3,749</b>                | <b>6,279</b> |
| Construction in progress | 4,813                   |                             | 4,813         | 2,784                   |                             | 2,784        |
| <b>Total</b>             | <b>19,024</b>           | <b>4,858</b>                | <b>14,166</b> | <b>12,812</b>           | <b>3,749</b>                | <b>9,063</b> |

Losses on disposals and impairments of property, plant and equipment totaled US\$26, US\$34 and US\$51 in 2005, 2004 and 2003, respectively. Disposals and impairments mainly relate to impairment of gold mines, sales of ships and trucks, locomotives and other equipment which were replaced in the normal course of business.

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**Table of Contents****(c) Hydroelectric projects**

We participate in several jointly-owned hydroelectric plants, already in operation or under construction. We have an undivided interest in these plants and are responsible for our proportionate share of the costs of construction and operation and are entitled to our proportionate share of the energy produced. We record our proportion of these assets as property, plant and equipment.

The situation of these projects at December 31, 2005 is as follows:

| <b>Project</b>  | <b>Date of completion / expected completion</b> | <b>Our interest %</b> | <b>Plant in service \$</b> | <b>Our share of plant in accumulated service \$</b> | <b>Our share of depreciation \$</b> | <b>Plant under construction \$</b> | <b>Our share of plant under construction \$</b> |
|-----------------|---|-----------------------|----------------------------|---|-------------------------------------|------------------------------------|---|
| Igarapava       | September, 1999                                 | 38.1                  | 168                        | 64  | (15)                                |                                    |   |
| Porto Estrela   | November, 2001                                  | 33.3                  | 72                         | 24  | (3)                                 |                                    |   |
| Funil           | January, 2003                                   | 51.0                  | 155                        | 79  | (7)                                 |                                    |   |
| Candongá        | September, 2004                                 | 50.0                  | 122                        | 61  | (2)                                 |                                    |   |
| Aimorés         | August, 2005                                    | 51.0                  | 304                        | 155   | (2)                                 |                                    |   |
| Capim Branco I  | February, 2006                                  | 48.4                  |                            |   |                                     | 194                                | 94  |
| Capim Branco II | January, 2007                                   | 48.4                  |                            |   |                                     | 140                                | 68  |
| Estreito        | 2009  | 30.0                  |                            |   |                                     | 20                                 | 6   |
| Foz do Chapecó  |   |                       |                            |   |                                     |                                    |   |
| (a)             |   | 40.0                  |                            |   |                                     | 5                                  | 2   |

Income and expenses relating to operating plants are not material.

(a) On February 10, 2006 we sold our interest to Furnas Centrais Elétricas S.A. for US\$4.

**Table of Contents****13 Investments in affiliated companies and joint ventures**

|                                   | Participation in capital (%)<br>voting total |       | Net equity | Net income (loss) for the period | 2005 Investments |            | Equity Adjustments        |                    |                   |                         |                   |                   | Dividends received        |                    |                   |                         |            |      |
|-----------------------------------|--|-------|------------|----------------------------------|------------------|------------|---------------------------|--------------------|-------------------|-------------------------|-------------------|-------------------|---------------------------|--------------------|-------------------|-------------------------|------------|------|
|                                   |  |       |            |                                  | 2005             | 2004       | Three-month periods ended |                    |                   | Year ended December 31, |                   |                   | Three-month periods ended |                    |                   | Year ended December 31, |            |      |
|                                   |  |       |            |                                  | 2005             | 2004       | September 30, 2005        | September 30, 2004 | December 31, 2005 | December 31, 2004       | December 31, 2005 | December 31, 2004 | September 30, 2005        | September 30, 2004 | December 31, 2005 | December 31, 2004       | 2005       | 2004 |
| geração e<br>a (5)                |  |       |            |                                  |                  |            |                           |                    |                   |                         |                   | 23                |                           |                    |                   |                         |            |      |
| ileira de<br>o<br>CO (2)          | 51.11  | 51.00 | 118        | 77                               | 60               | 30         | 13                        | 13                 | 4                 | 39                      | 13                | 3                 | 16                        |                    |                   |                         | 16         |      |
| ia<br>Brasileira<br>ação<br>DBRÁS | 51.00  | 50.89 | 73         | 55                               | 37               | 26         | 4                         | 8                  | 3                 | 28                      | 9                 | 3                 |                           | 16                 | 1                 | 20                      | 1          |      |
| ia<br>Brasileira<br>ação<br>CO    | 50.00  | 50.00 | 82         | 53                               | 41               | 13         | 6                         | 3                  | 4                 | 26                      | 11                | 18                |                           |                    |                   |                         |            |      |
| ileira de<br>o<br>SCO (2)         | 51.00  | 50.90 | 65         | 42                               | 33               | 18         | 2                         | 5                  | 2                 | 21                      | 6                 | 3                 |                           | 10                 |                   |                         | 10         |      |
| strial<br>t<br>GIIC               | 50.00  | 50.00 | 123        | 134                              | 62               | 45         | 18                        | 14                 | 6                 | 67                      | 16                | 12                | 20                        | 20                 | 4                 | 51                      | 11         |      |
| CO<br>o S.A.<br>CO (3)            | 50.00  | 50.00 | 576        | 514                              | 335              | 261        | 85                        | 82                 | 37                | 257                     | 117               | 70                | 95                        | 75                 | 32                | 225                     | 100        |      |
| Serra<br>MSG                      | 50.00  | 50.00 | 42         | (3)                              | 21<br>25         | 18<br>24   |                           | 2                  | (1)               | (2)<br>(1)              | (3)<br>1          | 2<br>(1)          |                           |                    |                   |                         |            |      |
|                                   |  |       |            |                                  | <b>614</b>       | <b>435</b> | <b>128</b>                | <b>127</b>         | <b>55</b>         | <b>435</b>              | <b>170</b>        | <b>133</b>        | <b>131</b>                | <b>121</b>         | <b>37</b>         | <b>322</b>              | <b>112</b> |      |

(93)

|               |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
|---------------|-------|-------|-------|-------|------------|------------|-----------|-----------|-----------|------------|------------|------------|-------------|-----------|----------|-----------|-----------|
| Atlântica     |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| A change      |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| on for        |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| ística S.A    | 37.23 | 29.35 | 352   | 167   | 109        | 78         | 15        | 17        | 11        | 54         | 33         | 45         | 5           |           |          |           | 11        |
| Tecon         |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| ange in       |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| for losses    |       |       |       |       |            |            |           |           |           |            |            | (1)        |             |           |          |           |           |
|               |       |       |       |       |            |            | 1         |           |           |            |            | (3)        |             |           |          |           |           |
|               |       |       |       |       |            | <b>109</b> | <b>79</b> | <b>15</b> | <b>17</b> | <b>11</b>  | <b>54</b>  | <b>33</b>  | <b>(52)</b> | <b>5</b>  |          |           | <b>11</b> |
| as de         |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| rais S.A.     |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| AS            | 22.99 | 11.46 | 2,441 | 1,533 | 281        | 140        | 41        | 36        | 62        | 176        | 114        | 34         |             | 29        |          | 62        | 13        |
| ia            |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| ca de         |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| CST (1)       |       |       |       |       |            |            |           |           | 15        |            | 102        | 45         |             |           |          |           |           |
| Steel         |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| Inc. CSI      | 50.00 | 50.00 | 320   | 43    | 161        | 149        | 6         | (1)       | 18        | 21         | 55         | 2          |             | 8         | 7        | 28        | 9         |
| R (cost       |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| available for |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| tments        | 4.85  | 4.85  |       |       | 142        | 110        |           |           |           |            |            |            |             |           |          |           |           |
|               |       |       |       |       | <b>584</b> | <b>399</b> | <b>47</b> | <b>35</b> | <b>95</b> | <b>197</b> | <b>271</b> | <b>81</b>  |             | <b>37</b> | <b>7</b> | <b>90</b> | <b>22</b> |
| m and         |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| o Rio do      |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| . MRN         | 40.00 | 40.00 | 442   | 160   | 178        | 171        | 15        | 17        | 16        | 64         | 57         | 33         |             | 13        |          | 58        | 54        |
| luminio       |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| LESUL         | 54.51 | 54.51 | 107   |       | 58         | 55         | (1)       | (2)       | 3         | 1          | 14         | 10         |             | 3         |          | 8         | 12        |
| S.A.          |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
|               |       |       |       |       |            |            |           |           |           |            |            |            | 104         |           |          |           |           |
|               |       |       |       |       | <b>236</b> | <b>226</b> | <b>14</b> | <b>15</b> | <b>19</b> | <b>65</b>  | <b>71</b>  | <b>147</b> |             |           |          | <b>16</b> | <b>66</b> |
|               |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           | <b>66</b> |
| ngyu          |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| Co. Ltd       |       |       |       |       | 96         |            | 9         |           |           | 9          |            |            |             |           |          |           |           |
|               |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| nal           |       |       |       |       |            |            |           |           |           |            |            |            |             |           |          |           |           |
| Ltd(4)        |       |       |       |       | 22         | 10         |           |           |           |            |            |            |             |           |          |           |           |
|               |       |       |       |       | <b>118</b> | <b>10</b>  | <b>9</b>  |           |           | <b>9</b>   |            |            |             |           |          |           |           |

Subsidiaries  
and  
ventures

|  |       |       |     |     |     |     |     |     |     |     |    |     |     |   |
|--|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|----|-----|-----|---|
|  | 11    | 10    |     |     | (1) |     | (3) | (3) |     |     |    |     |     |   |
|  | 11    | 10    |     |     | (1) |     | (3) | (3) |     |     |    |     |     |   |
|  | 949   | 645   | 70  | 50  | 113 | 271 | 339 | 225 |     | 37  | 23 | 156 | 88  | 1 |
|  | 1,672 | 1,159 | 213 | 194 | 179 | 760 | 542 | 306 | 136 | 158 | 60 | 489 | 200 | 1 |

- (1) During 2004 CVRD sold its interest in CST (Note 7(d));
- (2) CVRD held a majority of the voting power of several entities that were accounted for under the equity method, in accordance with EITF 96-16, due to veto rights held by minority shareholders under shareholders agreements;
- (3) Investment includes goodwill of US\$46 and US\$40 in 2005 and 2004, respectively;
- (4) Preoperating investment;
- (5) Consolidated as from September 2003 after acquisition of control.

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**Table of Contents****14 Short-term debt**

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

Average annual interest rates on short-term borrowings were 4.25%, 2.33% and 3.19% at December 31, 2005, 2004 and 2003, respectively.

**15 Long-term debt**

|  | <b>Current liabilities</b> |             | <b>As of December 31<br/>Long-Term liabilities</b> |              |
|--|----------------------------|-------------|--|--------------|
|  | <b>2005</b>                | <b>2004</b> | <b>2005</b>  | <b>2004</b>  |
| Foreign debt   |                            |             |  |              |
| Loans and financing denominated in the following currencies: |                            |             |  |              |
| United States dollars  | 848                        | 376         | 1,617  | 1,179        |
| Others   | 4                          | 4           | 15   | 25           |
| Fixed Rate Notes US\$ denominated                            | 43                         |             | 1,213  | 913          |
| Securitization of export receivables US\$ denominated        | 82                         | 55          | 345  | 425          |
| Perpetual notes  |                            |             | 75   | 65           |
| Accrued charges  | 31                         | 61          |  |              |
|  | <b>1,008</b>               | <b>496</b>  | <b>3,265</b>                                       | <b>2,607</b> |
| Local debt   |                            |             |  |              |
| Denominated in Long-Term Interest Rate TJLP                  | 23                         | 22          | 79   | 89           |
| Denominated in General Price Index-Market (IGPM)             | 29                         | 21          | 3  | 14           |
| Basket of currencies   | 2                          | 7           | 9  | 17           |
| Non-convertible debentures                                   |                            |             | 141  | 117          |
| Denomunated by U.S. dollars                                  | 132                        | 166         | 216  | 368          |
| Accrued charges  | 24                         | 18          | 1  | 2            |
|  | <b>210</b>                 | <b>234</b>  | <b>449</b>   | <b>607</b>   |
| Total  | <b>1,218</b>               | <b>730</b>  | <b>3,714</b>                                       | <b>3,214</b> |

The long-term portion at December 31, 2005 falls due in the following years:

|  |              |
|--|--------------|
| 2007   | 333          |
| 2008   | 471          |
| 2009   | 358          |
| 2010 thereafter  | 2,335        |
| No due date (Perpetual notes and non-convertible debentures) | 217          |
|  | <b>3,714</b> |

At December 31, 2005 annual interest rates on long-term debt were as follows:

|                            |              |
|----------------------------|--------------|
| 3.1% to 5%                 | 1,841        |
| 5.1% to 7%                 | 1,174        |
| 7.1% to 9%                 | 1,740        |
| 9.1% to 11%                | 24           |
| Over 11%                   | 69           |
| Variable (Perpetual notes) | 84           |
|                            | <b>4,932</b> |



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

|  | 2005   | 2004  | 2003   |
|--|--------|-------|--------|
| TJLP Long-Term Interest Rate (effective rate)    | 9.8    | 9.8   | 11.5   |
| IGP-M General Price Index Market                 | 1.2    | 12.4  | 8.7    |
| Devaluation of United States Dollar against Real | (11.8) | (8.1) | (18.2) |

On October 26, 2005, we issued US\$300 notes due 2034, bearing interest of 7.65% per year in the same form as the US\$500, 8.25% guaranteed notes issued on January 15, 2004.

On December 31, 2005 the US dollar denominated Fixed Rate Notes of US\$1,256 (2004 US\$913) and other debt of US\$2,661 (2004 US\$1,834) are unsecured. The export securitization of US\$427 (2004 US\$480) is secured by existing and future accounts receivable of our subsidiary CVRD Overseas Ltd. Loans from international lenders of US\$135 (2004- US\$170) are guaranteed by the Brazilian Federal Government, to which we have given counter-guarantees in the same amounts secured by our own shares and accounts receivable of a subsidiary. We also have loans from local and international institutions secured by property, plant and equipment in the amount of US\$123 (2004 US\$251). The remaining long-term debt of US\$330 (2004 US\$296) is secured mainly by assets of subsidiaries.

**16 Stockholders equity**

Each holder of common and preferred class A stock is entitled to one vote for each share on all matters that come before a stockholders' meeting, except for the election of the Board of Directors, which is restricted to the holders of common stock. As described in Note 6, the Brazilian Government holds three preferred special share which confers to it permanent veto rights over certain matters.

A three for one stock split proposal was approved by the Extraordinary General Shareholders' Meeting on August 18, 2004. Therefore, CVRD's capital is composed of 1,165,677,168 shares, with 749,949,429 common shares and 415,727,739 preferred class A shares. All numbers of share and per share amounts included herein reflect retroactive application of the stock split.

As of December 31, 2005, we had acquired 14,156,968 shares to be held in treasury for subsequent disposal or cancellation at an average weighted unit cost of US\$6.17 (minimum cost of US\$2.67 and maximum of US\$7.84).

Both common and preferred stockholders are entitled to receive a dividend of at least 25% of annual adjusted net income based on the statutory accounting records, upon approval at the annual stockholders' meeting. In the case of preferred stockholders, this dividend cannot be less than 6% of the preferred capital as stated in the statutory accounting records or, if greater, 3% of the statutory book equity value per share. For each of the years 2005, 2004 and 2003 we distributed dividends to preferred stockholders in excess of this limit. Interest attributed to stockholders equity as from January 1, 1996 is considered part of the minimum dividend.

Brazilian law permits the payment of cash dividends only from retained earnings as stated in the statutory accounting records and such payments are made in Reais. At December 31, 2005, we had no undistributed retained earnings. In addition, appropriated retained earnings

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at December 31, 2005 includes US\$3,722, related to the unrealized income and expansion reserves, which could be freely transferred to retained earnings and paid as dividends, if approved by the stockholders.

No withholding tax is payable on distribution of profits earned except for distributions in the form of interest attributed to stockholders (Note 3 (I)).

Brazilian laws and our By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis, all determined in accordance with amounts stated in the statutory accounting records, as detailed below:

|                                      | Three months ended (unaudited) |                    |                   | Year ended December 31 |              |              |
|--------------------------------------|--------------------------------|--------------------|-------------------|------------------------|--------------|--------------|
|                                      | December 31, 2005              | September 30, 2005 | December 31, 2004 | 2005                   | 2004         | 2003         |
| Appropriated retained earnings       |                                |                    |                   |                        |              |              |
| Unrealized income reserve            |                                |                    |                   |                        |              |              |
| Beginning of the period              | 156                            | 147                | 195               | 130                    | 193          | 211          |
| Transfer (to) from retained earnings | (55)                           | 9                  | (65)              | (29)                   | (63)         | (18)         |
| End of the period                    | <b>101</b>                     | <b>156</b>         | <b>130</b>        | <b>101</b>             | <b>130</b>   | <b>193</b>   |
| Expansion reserve                    |                                |                    |                   |                        |              |              |
| Beginning of the period              | 1.385                          | 1.309              | 1.795             | 3.091                  | 2.090        | 1.494        |
| Transfer to capital stock            |                                |                    |                   | (2.036)                | (309)        | (423)        |
| Transfer from retained earnings      | 2.236                          | 76                 | 1.296             | 2.566                  | 1.310        | 1.019        |
| End of the period                    | <b>3.621</b>                   | <b>1.385</b>       | <b>3.091</b>      | <b>3.621</b>           | <b>3.091</b> | <b>2.090</b> |
| Legal reserve                        |                                |                    |                   |                        |              |              |
| Beginning of the period              | 395                            | 373                | 378               | 529                    | 374          | 241          |
| Transfer to capital stock            |                                |                    |                   | (209)                  |              |              |
| Transfer from retained earnings      | 204                            | 22                 | 151               | 279                    | 155          | 133          |
| End of the period                    | <b>599</b>                     | <b>395</b>         | <b>529</b>        | <b>599</b>             | <b>529</b>   | <b>374</b>   |
| Fiscal incentive depletion reserve   |                                |                    |                   |                        |              |              |
| Beginning of the period              |                                |                    | 351               | 378                    | 347          | 284          |
| Transfer to capital stock            |                                |                    |                   | (398)                  |              |              |
| Transfer from retained earnings      |                                |                    | 27                | 20                     | 31           | 63           |
| End of the period                    |                                |                    | <b>378</b>        |                        | <b>378</b>   | <b>347</b>   |
| Fiscal incentive investment reserve  |                                |                    |                   |                        |              |              |
| Beginning of the period              |                                |                    |                   | 15                     | 31           |              |
| Transfer to capital stock            |                                |                    |                   | (16)                   | (31)         |              |
|                                      | 36                             |                    | 15                | 37                     | 15           | 31           |

Transfer from retained earnings

|                                      |              |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| End of the period                    | <b>36</b>    |              | <b>15</b>    | <b>36</b>    | <b>15</b>    | <b>31</b>    |
| Total appropriated retained earnings | <b>4.357</b> | <b>1.936</b> | <b>4.143</b> | <b>4.357</b> | <b>4.143</b> | <b>3.035</b> |

The purpose and basis of appropriation to such reserves is described below:

Unrealized income reserve this represents principally our share of the earnings of affiliates and joint ventures, not yet received in the form of cash dividends.

Expansion reserve this is a general reserve for expansion of our activities.

Legal reserve this reserve is a requirement for all Brazilian corporations and represents the appropriation of 5% of annual net income under Brazilian GAAP up to a limit of 20% of capital stock under Brazilian GAAP.

Fiscal incentive depletion reserve this represents an additional amount relative to mineral reserve depletion equivalent to 20% of the sales price of mining production, which is deductible for tax purposes providing an equivalent amount is transferred from retained earnings to the reserve account. This fiscal incentive expired in 1996.

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Fiscal incentive investment reserve this reserve results from an option to designate a portion of income tax otherwise payable for investment in government approved projects and is recorded in the year following that in which the taxable income was earned. As from 2000, this reserve basically contemplates income tax incentives (Note 8).

**Basic and diluted earnings per share**

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

|   | <b>Income<br/>(Numerator)<br/>(US\$<br/>million)</b> | <b>Weighted<br/>average<br/>(Thousands)<br/>(Denominator)</b> | <b>Basic and<br/>diluted<br/>per<br/>share<br/>amount<br/>(US\$ per<br/>share)</b> |
|---|--|---|--|
| Net income for the year ended December 31, 2005 | 4,841  |   |  |
| Income available to preferred stockholders      | 1,748  | 415,716   | 4.20   |
| Income available to common stockholders         | 3,093  | 735,804   | 4.20   |
| Net income for the year ended December 31, 2004 | 2,573  |   |  |
| Income available to preferred stockholders      | 929  | 415,716   | 2.23   |
| Income available to common stockholders         | 1,644  | 735,804   | 2.23   |
| Net income for the year ended December 31, 2003 | 1,548  |   |  |
| Income available to preferred stockholders      | 559  | 415,714   | 1.34   |
| Income available to common stockholders         | 989  | 735,804   | 1.34   |

**17 Pension plans**

Since 1973 we have sponsored a defined benefit pension plan (the Old Plan ) covering substantially all employees, with benefits based on years of service, salary and social security benefits. This plan is administered by Fundação Vale do Rio Doce de Seguridade Social VALIA and was funded by monthly contributions made by us and our employees, calculated based on periodic actuarial appraisals.

In May 2000, we implemented a new pension plan, which is primarily a defined contribution plan with a defined benefit feature relative to service prior to May 2000 (the New Plan ), and offered our active employees the opportunity of transferring to the New Plan. Over 98% of our active employees opted to transfer to the New Plan. The Old Plan will continue in existence, covering almost exclusively retired participants and their beneficiaries.

Additionally we provide employees with supplementary pension payments through the Abono Complementação or supplemented pension plan (SPP).

The following information details the status of the defined benefit elements of the Old Plan and SPP in accordance with SFAS 132 Employers Disclosure about Pensions and Other Post-retirement Benefits , as amended.



**Table of Contents****(a) Change in benefit obligation**

|  | <b>As of December 31</b> |              |
|--|--------------------------|--------------|
|  | <b>2005</b>              | <b>2004</b>  |
| Benefit obligation at beginning of year  | 1,719                    | 1,485        |
| Service cost                             | 2                        | 2            |
| Interest cost                            | 240                      | 188          |
| Benefits paid                            | (169)                    | (133)        |
| Effect of exchange rate changes          | 234                      | 137          |
| Actuarial loss                           | 7                        | 40           |
| <b>Benefit obligation at end of year</b> | <b>2,033</b>             | <b>1,719</b> |

We use a measurement date of December 31 for our pension and post-retirement benefit plans.

**(b) Change in plan assets**

|   | <b>As of December 31</b> |              |
|---|--------------------------|--------------|
|   | <b>2005</b>              | <b>2004</b>  |
| Fair value of plan assets at beginning of year  | 2,108                    | 1,657        |
| Actual return on plan assets                    | 562                      | 410          |
| Employer contributions                          | 64                       | 37           |
| Benefits paid                                   | (169)                    | (133)        |
| Effect of exchange rate changes                 | 279                      | 137          |
| <b>Fair value of plan assets at end of year</b> | <b>2,844</b>             | <b>2,108</b> |

Old plan assets at December 31, 2005 include US\$409 of portfolio investments in our own shares (US\$274 at December 31, 2004) and US\$42 of shares of related parties (US\$37 at December 31, 2004), as well as US\$455 of Federal Government Securities (US\$303 at December 31, 2004).

**(c) Accrued pension cost liability (prepaid pension cost)**

|  | <b>As of December 31</b> |             |
|--|--------------------------|-------------|
|  | <b>2005</b>              | <b>2004</b> |
| Funded status, excess of benefit obligation over plan assets | (811)                    | (389)       |
| Unrecognized net transitory obligation                       | (46)                     | (51)        |
| Unrecognized net actuarial loss                              | 726                      | 459         |
| <b>Accrued pension cost liability (prepaid pension cost)</b> | <b>(131)</b>             | <b>19</b>   |

**(d) Assumptions used in each year (expressed in nominal terms)**

|  | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Discount rate                                | 13.40% p.a  | 13.40% p.a  |
| Expected return on plan assets               | 13.40% p.a  | 13.40% p.a  |
| Rate of compensation increase up to 47 years | 8.15% p.a   | 6.91% p.a   |
| Inflation                                    | 5.00% p.a   | 5.00% p.a   |

**Table of Contents****(e) Investment targets and composition of plan assets**

The fair value of Old Plan assets for these plans is US\$2,781 and US\$2,079 at the end of 2005 and 2004, respectively. The asset allocation for the Company's Old Plan at the end of 2005 and 2004, and the target allocation for 2006, by asset category, follows:

|                   | <b>Target<br/>allocation<br/>for 2006<br/>(unaudited)</b> | <b>Percentage of plan assets<br/>at<br/>December 31,</b> |             |
|-------------------|---|--|-------------|
|                   |   | <b>2005</b>  | <b>2004</b> |
| Equity securities | 27%   | 30%  | 29%         |
| Real estate       | 6%  | 5%   | 6%          |
| Loans             | 4%  | 4%   | 3%          |
| Fixed Income      | 63%   | 61%  | 62%         |
| <b>Total</b>      | <b>100%</b>   | <b>100%</b>  | <b>100%</b> |

The fixed income allocation target of 63% was established in order to match the asset with the benefit payments. The proposal for 2006 is to re-establish the investments in inflation-indexed funds up to 35%. The remaining investments in fixed income will be used for the payment of short-term plan benefits.

The target of 27% for equity securities reflects the expected appreciation of the Brazilian stock markets as well as the Brazilian interest rates.

**(f) Pension costs**

|   | <b>Year ended December 31</b> |             |             |
|---|-------------------------------|-------------|-------------|
|   | <b>2005</b>                   | <b>2004</b> | <b>2003</b> |
| Service cost                                  | 2                             | 2           | 2           |
| Interest cost                                 | 240                           | 188         | 151         |
| Estimated return on plan assets               | (299)                         | (213)       | (158)       |
| Amortization of initial transitory obligation | 11                            | 9           | 9           |
| Amortization of actuarial gain/loss           | (16)                          | (24)        |             |
| <b>Net periodic pension cost</b>              | <b>(62)</b>                   | <b>(38)</b> | <b>4</b>    |

In addition to benefits provided under the SPP and Old Plan, accruals have been made relative to supplementary health care benefits extended in previous periods as part of early-retirement programs. Such accruals included in long-term liabilities totaled US\$68 and US\$59, at December 31, 2005 and 2004, respectively, in addition to US\$5 and US\$5, respectively, in current liabilities.

The cost recognized 2005, 2004 and 2003 relative to the defined contribution element of the New Plan was US\$10, US\$7 and US\$5, respectively.

**(g) Expected contributions and benefits**

Employer contributions expected for 2006 are US\$59 (unaudited).

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The benefit payments, which reflect future service, as appropriate, are expected to be paid as follows (unaudited):

|              | <b>Old Plan</b> | <b>SPP</b> | <b>Total</b> |
|--------------|-----------------|------------|--------------|
| 2006         | 166             | 30         | 196          |
| 2007         | 166             | 29         | 195          |
| 2008         | 165             | 28         | 193          |
| 2009         | 164             | 27         | 191          |
| 2010         | 164             | 26         | 190          |
| 2011 to 2015 | 805             | 118        | 923          |

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**Table of Contents****18 Commitments and contingencies**

- (a) At December 31, 2005, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US\$5, as follows:

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

**5**

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

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

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

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

|                     | <b>December 31, 2005</b>           |                          | <b>December 31, 2004</b>           |                          |
|---------------------|------------------------------------|--------------------------|------------------------------------|--------------------------|
|                     | <b>Provision for contingencies</b> | <b>Judicial deposits</b> | <b>Provision for contingencies</b> | <b>Judicial deposits</b> |
| Labor claims        | 229                                | 138                      | 221                                | 109                      |
| Civil claims        | 210                                | 98                       | 185                                | 72                       |
| Tax related actions | 816                                | 329                      | 502                                | 344                      |
| Others              | 31                                 | 3                        | 6                                  | 6                        |
|                     | <b>1.286</b>                       | <b>568</b>               | <b>914</b>                         | <b>531</b>               |

Labor related actions principally comprise employee claims for (i) payment of time spent traveling from their residences to the work-place, (ii) additional health and safety related payments and (iii) various other matters, often in connection with disputes about the amount of indemnities paid upon dismissal.

Civil actions principally relate to claims made against us by contractors in connection with losses alleged to have been incurred by them as a result of various past government economic plans during which full indexation of contracts for inflation was not permitted.

Tax related actions principally comprise our challenges of certain revenue taxes, value added tax and income tax.

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

Our judicial deposits are made as required by the courts for us to be able to enter or continue a legal action. When judgment is favorable to us, we receive the deposits back; when unfavorable, the deposits are delivered to the prevailing party.

Contingencies settled in 2005, 2004 and 2003 aggregated US\$114, US\$67 and US\$182, respectively, and additional provisions aggregated US\$141, US\$157 and US\$146, respectively.

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In addition to the contingencies for which we have made provisions we are defending claims which in our opinion, and based on the advice of our legal counsel, the likelihood of loss is possible losses which total US\$1,033 at December 31, 2005, for which no provision has been made.

- (c) We are defendants in two actions seeking substantial compensatory damages brought by the Municipality of Itabira, State of Minas Gerais, which we believe are without merit. Due to the remote likelihood that any loss will arise therefrom no provision has been made in the financial statements with respect to these two actions.
- (d) We are committed under a take-or-pay agreement to purchase approximately 33,733 thousand metric tons of bauxite from Mineração Rio do Norte S.A. MRN at a formula price, calculated based on the current London Metal Exchange (LME) quotation for aluminum. Based on a market price of US\$23.01 per metric ton as of December 31, 2005, this arrangement represents the following total commitment:

|                     |            |
|---------------------|------------|
| 2006                | 145        |
| 2007                | 145        |
| 2008                | 145        |
| 2009                | 145        |
| 2010                | 145        |
| 2011 and thereafter | 51         |
|                     | <b>776</b> |

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

Pursuant to the Mineral Risk Contract, we and BNDES each agreed to provide US\$205 million, which represents half of the US\$410 million in expenditures estimated as necessary to complete geological exploration and mineral resource development projects in the region. We will oversee these projects and BNDES will advance us half of our costs on a quarterly basis. Under the Mineral Risk Contract, as of December 31, 2005, the remaining contributions towards exploration and development activities totaled US\$17 million. In the event that either of us wishes to conduct further exploration and development after having spent such US\$205 million, the contract provides that each party may either choose to match the other party’s contributions, or may choose to have its financial interest proportionally diluted. If a party’s participation in the project is diluted to an amount lower than 40% of the amount invested in connection with exploration and development projects, then the Mineral Risk Contract provides that the diluted party will lose all the rights and benefits provided for in the Mineral Risk Contract and any amounts previously contributed to the project.

Under the Mineral Risk Contract, BNDES has agreed to compensate us through a finder’s fee production royalty on their share of mineral resources that are discovered and placed into production. This finder’s fee is equal to 3.5% of the revenues derived from the sale of gold, silver and platinum group metals and 1.5% of the revenues derived from the sale of other minerals, including copper, except for gold and other minerals discovered at Serra Leste, for which the finder’s fee is equal to 6.5% of revenues.

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- (f) At the time of our privatization in 1997, we issued shareholder revenue interests known in Brazil as debentures to our then-existing shareholders, including the Brazilian Government. The terms of the debentures, were set to ensure that our pre-privatization shareholders, including the Brazilian Government, would participate alongside us in potential future financial benefits that we are able to derive from exploiting our mineral resources.

In preparation for the issuance of the debentures, we issued series B preferred shares on a one-for-one basis to all holders of our common shares and series A preferred shares. We then exchanged all of the series B shares for the debentures at par value. The debentures are not redeemable or convertible, and do not trade on a stapled basis or otherwise with our common or preferred shares. During 2002 we registered the debentures with the Securities Commissions (CVM) in order to permit trading.

Under Brazilian Central Bank regulations, pre-privatization shareholders that held their shares through our preferred share American Depositary Receipt, or ADR, program and institutional investors that held their shares through rule 1,298/87 of Brazilian Central Bank were not permitted to receive the debentures or any financial benefits relating to the debentures. We sought approval from the Central Bank to distribute the debentures to these investors, but the Central Bank rejected our request. We renewed our request to the Central Bank, but we cannot be sure that we will succeed. Therefore, unless the Central Bank approves our request, the debentures will not have any value for ADR holders and foreign investors through Annex V of Brazilian Central Bank.

Under the terms of the debentures, holders will have the right to receive semi-annual payments equal to an agreed percentage of our net revenues (revenues less value added tax) from certain identified mineral resources that we owned as of May 1997, to the extent that we exceed defined threshold production volumes of these resources, and from the sale of mineral rights that we owned as of May 1997. Our obligation to make payments to the holders will cease when the relevant mineral resources are exhausted at which time we are required to repay the original par value plus accrued interest. Based on current production levels, and estimates for new projects, we began payments relating to copper resources in 2004 and expect to start payments relating to iron ore resources from approximately 2020 for the Northern System and 2030 for the Southern System, and payments related to other mineral resources at the end of the current decade.

The table below summarizes the amounts we will be required to pay under the debentures based on the net revenues we earn from the identified mineral resources and the sale of mineral rights.

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| <b>Area</b>                                 | <b>Mineral</b>                              | <b>Required Payments by CVRD</b>   |
|---|---|--|
| Southern System                             | Iron ore                                    | 1.8% of net revenue, after total sales from May 1997 exceeds 1.7 billion tons. |
| Northern System                             | Iron ore                                    | 1.8% of net revenue, after total sales from May 1997 exceeds 1.2 billion tons. |
| Pojuca, Andorinhas, Liberdade and Sossego   | Gold and copper                             | 2.5% of net revenue from the beginning of commercialization.                   |
| Igarapé Bahia and Alemão                    | Gold and copper                             | 2.5% of net revenue, after total sales from May 1997 exceeds 70 tons of gold.  |
| Fazenda Brasileiro (*)                      | Gold  | 2.5% of net revenue after total sales from May 1997 exceeds 26 tons.           |
| Other areas, excluding Carajás/ Serra Leste | Gold  | 2.5% of net revenue.   |
| Other areas owned as of May 1997            | Other minerals                              | 1% of net revenue, 4 years after the beginning of the commercialization.       |
| All areas                                   | Sale of mineral rights owned as of May 1997 | 1% of the sales price.   |

On March 22 and September 27, 2005 we declared a distribution on these debentures in the amount of US\$3 and US\$2, paid as from April 1 and October 3, 2005, respectively.

- (g) We use various judgments and assumptions when measuring our environmental liabilities and asset retirement obligations. Changes in circumstances, law or technology may affect our estimates and we periodically review the amounts accrued and adjust them as necessary. Our accruals do not reflect unasserted claims because we are currently not aware of any such issues. Also the amounts provided are not reduced by any potential recoveries under cost sharing, insurance or indemnification arrangements because such recoveries are considered uncertain. The changes are demonstrated as follows:

|  | <b>Three months ended (unaudited)</b> |                           |                          | <b>Year ended December 31</b> |             |             |
|--|---------------------------------------|---------------------------|--------------------------|-------------------------------|-------------|-------------|
|  | <b>December 31, 2005</b>              | <b>September 30, 2005</b> | <b>December 31, 2004</b> | <b>2005</b>                   | <b>2004</b> | <b>2003</b> |
| <b>Environmental liabilities beginning of period</b> | <b>166</b>                            | <b>159</b>                | <b>91</b>                | <b>134</b>                    | <b>81</b>   | <b>15</b>   |
|  |                                       |                           |                          |                               |             | <b>26</b>   |

|  |            |            |            |            |            |           |
|--|------------|------------|------------|------------|------------|-----------|
| Initial recognition of SFAS<br>143 as at January 1, 2003 |            |            |            |            |            |           |
| Increase due to new<br>subsidiaries acquired             |            |            |            |            |            | 11        |
| Accretion expense  | 4          |            | 5          | 14         | 13         | 6         |
| Liabilities settled in the<br>current period             | (3)        | (2)        |            | (9)        | (3)        |           |
| Revisions in estimated cash<br>flows                     | 67         |            | 31         | 67         | 31         | 15        |
| Cumulative translation<br>adjustment                     | (9)        | 9          | 7          | 19         | 12         | 8         |
| <b>Environmental liabilities end<br/>of period</b>       | <b>225</b> | <b>166</b> | <b>134</b> | <b>225</b> | <b>134</b> | <b>81</b> |

**(h) Description of Leasing Arrangements**

We conduct part of our railroad operation from leased facilities. The lease, which is for 30 years expiring in August, 2026, is classified as an operating lease and can be renewable for a further 30 years. At the end of the lease term, we are required to return the concession and the lease assets. In most cases, management expects that in the normal course of business, leases will be renewed.

Operating Leases

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The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2005:

Year ending December 31:

|  |            |
|--|------------|
| 2006                                   | 42         |
| 2007                                   | 42         |
| 2008                                   | 42         |
| 2009                                   | 42         |
| Later years                            | 775        |
| <b>Total minimum payments required</b> | <b>943</b> |

The total expenses of operating leases in 2005, 2004 and 2003 was US\$42, US\$37 and US\$39, respectively.

**19 Segment and geographical information**

We adopted SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. Our business segments are currently organized as follows:

Ferrous products comprises iron ore mining and pellet production, as well as the Northern and Southern transportation systems, including railroads, ports and terminals, as they pertain to mining operations. Manganese mining and ferroalloys are also included in this segment.

Non-ferrous products comprises the production of non-ferrous minerals.

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

Holdings divided into the following sub-groups:

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

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

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

Consolidated net income and principal assets in accordance with US GAAP are reconciled as follows:

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**Table of Contents****Results by segment before eliminations**

|            | December 31, 2005                      |            |                   |                |              |                                 | September 30, 2005                     |            |                   |                |              |                                 | As of and for                          |     |
|------------|--|------------|-------------------|----------------|--------------|---------------------------------|--|------------|-------------------|----------------|--------------|---------------------------------|--|-----|
|            | Non<br>ferrous<br>ferrous<br>logistics | Aluminum   | Other<br>Holdings | Eliminations   | Consolidated | Ferrous<br>ferrous<br>logistics | Non<br>ferrous<br>ferrous<br>logistics | Aluminum   | Other<br>Holdings | Eliminations   | Consolidated | Ferrous<br>ferrous<br>logistics | Non<br>ferrous<br>ferrous<br>logistics |     |
| 570        | 262                                    | 21         | 485               | (1,586)        | 2,852        | 3,387                           | 166                                    | 17         | 432               | (1,398)        | 2,604        | 2,111                           | 256                                    |     |
| 546        | 52                                     | 316        | 84                | (104)          | 894          | 586                             | 70                                     | 353        | 87                | (90)           | 1,006        | 397                             | 45                                     |     |
| (51)       | (235)                                  | (263)      | (447)             | (11)           | 1,690        | (2,017)                         | (200)                                  | (256)      | (408)             | 1,488          | (1,930)      | (1,807)                         | (194)                                  |     |
| (38)       | (16)                                   | (3)        |                   | (28)           | (85)         | (18)                            | (19)                                   |            | (67)              |                | (104)        | (18)                            | (48)                                   |     |
| (34)       | (21)                                   | (17)       | (11)              |                | (183)        | (130)                           | (14)                                   | (9)        | (18)              |                | (171)        | (94)                            | (11)                                   |     |
| <b>293</b> | <b>42</b>                              | <b>54</b>  | <b>111</b>        | <b>(39)</b>    | <b>1,461</b> | <b>1,271</b>                    | <b>3</b>                               | <b>105</b> | <b>93</b>         | <b>(67)</b>    | <b>1,405</b> | <b>589</b>                      | <b>48</b>                              |     |
| 33         |  | 8          | 2                 | (6)            | (106)        | 31                              | 159                                    | 7          | 2                 | 7              | (139)        | 36                              | 105                                    | 2   |
| (95)       | (2)                                    | 2          | (119)             | 7              | 106          | (201)                           | (268)                                  | 1          | (14)              | (75)           | 139          | (216)                           | (232)                                  | (3) |
| (63)       | (51)                                   | 3          | (55)              |                | (166)        | 126                             | 1                                      | (9)        | 46                | (1)            | 163          | 232                             | 4                                      |     |
|            |  |            |                   |                |              |                                 |  |            | 126               |                | 126          |                                 |  |     |
| 28         |  | 15         | 14                | 56             | 213          | 127                             |  | 17         | 15                | 35             | 194          | 55                              |  |     |
| (03)       |  | (2)        | 46                | 3              | (56)         | (248)                           | 2                                      | (5)        | (22)              | (1)            | (274)        | (388)                           | (3)                                    |     |
| (04)       |  |            | 18                |                | (86)         | (104)                           |  | (1)        | (12)              |                | (117)        | (17)                            |  |     |
| <b>89</b>  | <b>(11)</b>                            | <b>80</b>  | <b>17</b>         | <b>21</b>      | <b>1,196</b> | <b>1,063</b>                    | <b>7</b>                               | <b>100</b> | <b>47</b>         | <b>100</b>     | <b>1,317</b> | <b>344</b>                      | <b>48</b>                              |     |
| 50         |  | 13         | 67                | (187)          | 243          | 413                             |  | 10         | 66                | (286)          | 203          | 207                             | 1                                      |     |
| 16         | 4                                      |            | 48                | (53)           | 115          | 56                              | 3                                      |            | 43                | (17)           | 85           | 173                             |  |     |
| 02         | 192                                    | 4          | 228               | (630)          | 996          | 1,303                           | 82                                     | 7          | 205               | (582)          | 1,015        | 836                             | 24                                     |     |
| 19         | 16                                     |            | 27                | (46)           | 216          | 155                             | 20                                     |            | 9                 | 24             | 208          | 104                             | 43                                     |     |
| 71         | 12                                     |            | 103               | (137)          | 349          | 345                             | 20                                     |            | 97                | (120)          | 342          | 182                             | 17                                     |     |
| 20         | 24                                     | 4          | 12                | (422)          | 738          | 858                             | 17                                     |            | 12                | (319)          | 568          | 453                             | 72                                     |     |
| 92         | 14                                     |            |                   | (111)          | 195          | 257                             | 24                                     |            |                   | (98)           | 183          | 156                             | 99                                     |     |
| <b>70</b>  | <b>262</b>                             | <b>21</b>  | <b>485</b>        | <b>(1,586)</b> | <b>2,852</b> | <b>3,387</b>                    | <b>166</b>                             | <b>17</b>  | <b>432</b>        | <b>(1,398)</b> | <b>2,604</b> | <b>2,111</b>                    | <b>256</b>                             |     |
| 46         | 52                                     | 316        | 84                | (104)          | 894          | 586                             | 70                                     | 353        | 87                | (90)           | 1,006        | 397                             | 45                                     |     |
| <b>16</b>  | <b>314</b>                             | <b>337</b> | <b>569</b>        | <b>(1,690)</b> | <b>3,746</b> | <b>3,973</b>                    | <b>236</b>                             | <b>370</b> | <b>519</b>        | <b>(1,488)</b> | <b>3,610</b> | <b>2,508</b>                    | <b>301</b>                             |     |
| 38         | 2,271                                  | 999        | 1,930             | 228            | 14,166       | 8,857                           | 1,595                                  | 947        | 1,862             | 114            | 13,375       | 5,838                           | 1,448                                  |     |



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|     |              |            |              |           |               |              |              |            |              |           |               |              |              |
|-----|--------------|------------|--------------|-----------|---------------|--------------|--------------|------------|--------------|-----------|---------------|--------------|--------------|
| 018 | 65           | 98         | 161          | (5)       | 1,237         | 953          | 35           | 79         | 202          | 33        | 1,302         | 406          | 208          |
| 514 |              | 109        | 236          | 713       | 1,672         | 629          |              | 97         | 226          | 692       | 1,644         | 435          |              |
| 582 | <b>1,118</b> | <b>990</b> | <b>1,039</b> | <b>85</b> | <b>10,814</b> | <b>7,441</b> | <b>1,167</b> | <b>989</b> | <b>1,117</b> | <b>16</b> | <b>10,730</b> | <b>4,544</b> | <b>1,099</b> |

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## Operating income by product after eliminations

| Net       | Cost and amortization expenses | December 31, 2005                        |                  |              |              |              | Value          |              |              |                                |  | September 30, 2005 |              |              |            |              | As of |
|-----------|--------------------------------|--|------------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------------------------|--|--------------------|--------------|--------------|------------|--------------|-------|
|           |                                | Depreciation, depletion and amortization | Operating income | Expenses     | Domestic     | Total        | Revenues added | Net revenues | Net expenses | Cost and amortization expenses | Depreciation, depletion and amortization | Operating income   | Expenses     | Domestic     | Total      |              |       |
| 18        | (768)                          | 1,250                                    | (128)            | 1,122        | 1,649        | 416          | 2,065          | (66)         | 1,999        | (693)                          | 1,306                                    | (120)              | 1,186        | 882          | 251        | 1,133        |       |
| 26        | (404)                          | 222                                      | (9)              | 213          | 438          | 91           | 529            | (22)         | 507          | (347)                          | 160                                      | (7)                | 153          | 230          | 71         | 301          |       |
| 17        | (33)                           | (16)                                     |                  | (16)         | 14           | 6            | 20             | (2)          | 18           | (25)                           | (7)                                      | (1)                | (8)          | 31           | 5          | 36           |       |
| 85        | (79)                           | 6  | (7)              | (1)          | 61           | 31           | 92             | (9)          | 83           | (87)                           | (4)                                      | (5)                | (9)          | 116          | 61         | 177          |       |
| <b>46</b> | <b>(1,284)</b>                 | <b>1,462</b>                             | <b>(144)</b>     | <b>1,318</b> | <b>2,162</b> | <b>544</b>   | <b>2,706</b>   | <b>(99)</b>  | <b>2,607</b> | <b>(1,152)</b>                 | <b>1,455</b>                             | <b>(133)</b>       | <b>1,322</b> | <b>1,259</b> | <b>388</b> | <b>1,647</b> |       |
| 39        | (25)                           | 14                                       | (3)              | 11           |              | 47           | 47             | (4)          | 43           | (32)                           | 11                                       | (1)                | 10           |              | 35         | 35           |       |
| 49        | (62)                           | (13)                                     | (1)              | (14)         | 36           | 6            | 42             | (2)          | 40           | (56)                           | (16)                                     | (3)                | (19)         | 38           | 7          | 45           |       |
| 28        | (60)                           | 68                                       | (8)              | 60           | 75           | 17           | 92             | (1)          | 91           | (59)                           | 32                                       | (9)                | 23           | 104          | 3          | 107          |       |
| <b>16</b> | <b>(147)</b>                   | <b>69</b>                                | <b>(12)</b>      | <b>57</b>    | <b>111</b>   | <b>70</b>    | <b>181</b>     | <b>(7)</b>   | <b>174</b>   | <b>(147)</b>                   | <b>27</b>                                | <b>(13)</b>        | <b>14</b>    | <b>142</b>   | <b>45</b>  | <b>187</b>   |       |
| 38        | (122)                          | 16                                       | (6)              | 10           | 116          | 30           | 146            | (4)          | 142          | (130)                          | 12                                       | (7)                | 5            | 131          | 10         | 141          |       |
| 16        | (109)                          | 107                                      | (5)              | 102          | 191          | 11           | 202            | (2)          | 200          | (105)                          | 95                                       | (11)               | 84           | 191          | 9          | 200          |       |
| 21        | (18)                           | 3  |                  | 3            | 10           |              | 10             |              | 10           | (10)                           |  |                    |              | 13           |            | 13           |       |
| <b>75</b> | <b>(249)</b>                   | <b>126</b>                               | <b>(11)</b>      | <b>115</b>   | <b>317</b>   | <b>41</b>    | <b>358</b>     | <b>(6)</b>   | <b>352</b>   | <b>(245)</b>                   | <b>107</b>                               | <b>(18)</b>        | <b>89</b>    | <b>335</b>   | <b>19</b>  | <b>354</b>   |       |
| 80        | (152)                          | 28                                       | (13)             | 15           |              | 267          | 267            | (38)         | 229          | (161)                          | 68                                       | (5)                | 63           |              | 162        | 162          |       |
| 48        | (35)                           | 13                                       | (2)              | 11           |              | 67           | 67             | (6)          | 61           | (32)                           | 29                                       | (2)                | 27           |              | 47         | 47           |       |
| 28        | (31)                           | (3)                                      | (1)              | (4)          | 14           | 11           | 25             | (3)          | 22           | (26)                           | (4)                                      |                    | (4)          | 15           | 10         | 25           |       |
| <b>56</b> | <b>(218)</b>                   | <b>38</b>                                | <b>(16)</b>      | <b>22</b>    | <b>14</b>    | <b>345</b>   | <b>359</b>     | <b>(47)</b>  | <b>312</b>   | <b>(219)</b>                   | <b>93</b>                                | <b>(7)</b>         | <b>86</b>    | <b>15</b>    | <b>219</b> | <b>234</b>   |       |
| 5         | (56)                           | (51)                                     |                  | (51)         |              | 6            | 6              | (6)          |              | (106)                          | (106)                                    |                    | (106)        |              | 6          | 6            |       |
| <b>98</b> | <b>(1,954)</b>                 | <b>1,644</b>                             | <b>(183)</b>     | <b>1,461</b> | <b>2,604</b> | <b>1,006</b> | <b>3,610</b>   | <b>(165)</b> | <b>3,445</b> | <b>(1,869)</b>                 | <b>1,576</b>                             | <b>(171)</b>       | <b>1,405</b> | <b>1,751</b> | <b>677</b> | <b>2,428</b> |       |

**Table of Contents****Results by segment before eliminations**

|             |            | 2005       |              |              |              |              |           |            |            | 2004       |              |              |              |           | As of and for |            |
|-------------|------------|------------|--------------|--------------|--------------|--------------|-----------|------------|------------|------------|--------------|--------------|--------------|-----------|---------------|------------|
| Non-ferrous | Logistics  | Holdings   |              | Eliminations | Consolidated | Ferrous      | ferrous   | Logistics  | Holdings   |            | Consolidated | Ferrous      | ferrous      | Logistics | As of         | for        |
|             |            | Aluminum   | Other        |              |              |              |           |            | Aluminum   | Other      |              |              |              |           |               |            |
| 787         | 75         | 1,784      |              | (5,461)      | 9,840        | 7,589        | 521       | 92         | 1,635      |            | (3,725)      | 6,112        | 5,256        | 105       |               | 75         |
| 213         | 1,215      | 345        |              | (405)        | 3,565        | 1,424        | 163       | 871        | 227        |            | (318)        | 2,367        | 1,142        | 107       |               | 472        |
| (762)       | (886)      | (1,639)    | (10)         | 5,866        | (7,077)      | (6,459)      | (443)     | (622)      | (1,322)    | (1)        | 4,043        | (4,804)      | (4,862)      | (130)     |               | (367)      |
| (73)        | (4)        | (5)        | (108)        |              | (277)        | (40)         | (113)     |            |            |            |              | (153)        | (20)         | (62)      |               |            |
| (65)        | (45)       | (51)       |              |              | (619)        | (301)        | (35)      | (29)       | (34)       |            |              | (399)        | (191)        | (18)      |               | (14)       |
| <b>100</b>  | <b>355</b> | <b>434</b> | <b>(118)</b> |              | <b>5,432</b> | <b>2,213</b> | <b>93</b> | <b>312</b> | <b>506</b> | <b>(1)</b> |              | <b>3,123</b> | <b>1,325</b> | <b>2</b>  |               | <b>166</b> |
| 1           | 34         | 9          | 2            | (362)        | 123          | 251          | 2         | 15         | 16         | 3          | (205)        | 82           | 195          | 1         |               | 14         |
| (6)         | (19)       | (154)      | 8            | 362          | (560)        | (637)        | (6)       | (15)       | (218)      |            | 205          | (671)        | (406)        | (4)       |               | (9)        |
| (44)        | (13)       | 98         | (1)          |              | 299          | 20           | 5         | (1)        | 39         | 2          |              | 65           | 150          | 16        |               | (14)       |
|             |            |            | 126          |              | 126          |              |           | 8          |            | 396        |              | 404          | 17           |           |               |            |
| (1)         | 54         | 65         | 206          |              | 760          | 170          |           | 33         | 71         | 268        |              | 542          | 133          |           |               | (52)       |
|             | (17)       | (55)       | 1            |              | (880)        | (726)        | (7)       | (9)        | (4)        | (3)        |              | (749)        | (266)        | (3)       |               | (2)        |
|             | (1)        | (121)      |              |              | (459)        | (101)        | (2)       |            | (120)      |            |              | (223)        | (44)         | (3)       |               |            |
| <b>50</b>   | <b>393</b> | <b>276</b> | <b>224</b>   |              | <b>4,841</b> | <b>1,190</b> | <b>85</b> | <b>343</b> | <b>290</b> | <b>665</b> |              | <b>2,573</b> | <b>1,104</b> | <b>9</b>  |               | <b>103</b> |
|             |            |            |              |              |              |              |           |            |            |            |              |              | (10)         |           |               |            |
| <b>50</b>   | <b>393</b> | <b>276</b> | <b>224</b>   |              | <b>4,841</b> | <b>1,190</b> | <b>85</b> | <b>343</b> | <b>290</b> | <b>665</b> |              | <b>2,573</b> | <b>1,094</b> | <b>9</b>  |               | <b>103</b> |

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|            |              |              |           |                |               |              |              |            |              |                |              |              |            |            |
|------------|--------------|--------------|-----------|----------------|---------------|--------------|--------------|------------|--------------|----------------|--------------|--------------|------------|------------|
|            | 45           | 320          |           | (762)          | 916           | 735          | 1            | 65         | 221          | (426)          | 596          | 526          |            | 38         |
| 7          | 3            | 211          |           | (268)          | 417           | 533          |              | 15         | 186          | (345)          | 389          | 337          | 8          |            |
| 449        | 23           | 750          |           | (2,256)        | 3,813         | 3,223        | 194          | 12         | 730          | (1,607)        | 2,552        | 2,213        | 76         | 30         |
| 108        |              | 42           |           | (148)          | 777           | 412          | 107          |            | 8            | (141)          | 386          | 292          |            | 4          |
| 44         |              | 395          |           | (469)          | 1,231         | 683          | 31           |            | 361          | (287)          | 788          | 569          | 13         |            |
| 79         | 4            | 50           |           | (1,135)        | 2,016         | 1,392        | 81           |            | 129          | (606)          | 996          | 897          | 7          |            |
| 100        |              | 16           |           | (423)          | 670           | 611          | 107          |            |              | (313)          | 405          | 422          | 1          | 3          |
| <b>787</b> | <b>75</b>    | <b>1,784</b> |           | <b>(5,461)</b> | <b>9,840</b>  | <b>7,589</b> | <b>521</b>   | <b>92</b>  | <b>1,635</b> | <b>(3,725)</b> | <b>6,112</b> | <b>5,256</b> | <b>105</b> | <b>75</b>  |
| 213        | 1,215        | 345          |           | (405)          | 3,565         | 1,424        | 163          | 871        | 227          | (318)          | 2,367        | 1,142        | 107        | 472        |
| <b>000</b> | <b>1,290</b> | <b>2,129</b> |           | <b>(5,866)</b> | <b>13,405</b> | <b>9,013</b> | <b>684</b>   | <b>963</b> | <b>1,862</b> | <b>(4,043)</b> | <b>8,479</b> | <b>6,398</b> | <b>212</b> | <b>547</b> |
| 271        | 999          | 1,930        | 228       |                | 14,166        | 5,838        | 1,448        | 674        | 1,102        | 1              | 9,063        | 4,495        | 1,000      | 424        |
| 175        | 271          | 625          | 29        |                | 3,977         | 860          | 381          | 579        | 202          |                | 2,022        | 822          | 440        | 186        |
|            | 109          | 236          | 713       |                | 1,672         | 435          |              | 79         | 226          | 419            | 1,159        | 344          |            | 44         |
| <b>118</b> | <b>990</b>   | <b>1,039</b> | <b>85</b> |                | <b>10,814</b> | <b>4,544</b> | <b>1,099</b> | <b>680</b> | <b>976</b>   | <b>27</b>      | <b>7,326</b> | <b>4,137</b> | <b>266</b> | <b>429</b> |

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## Operating income by product after eliminations

|         |       |       |       |       |     |       |       |       |         | 2005                                     |       |       | 2004     |     |       |  |     |      |                |     |     |       |      |       |       |     |      |     |     |     |     |      |      |     |      |    |    |    |     |    |      |    |  |    |    |    |    |       |     |      |    |     |     |     |      |     |       |     |      |     |     |    |     |                |              |              |              |              |              |              |              |              |                |              |              |              |              |            |              |      |    |     |    |  |     |     |      |     |      |    |     |    |  |    |    |       |     |      |      |     |    |     |     |     |      |    |      |    |    |    |    |       |     |      |     |     |    |     |     |     |      |     |      |    |  |  |  |  |              |            |             |            |            |            |            |             |            |              |            |             |            |            |            |            |       |    |      |    |     |    |     |      |     |       |    |      |    |     |     |     |       |     |      |     |     |    |     |     |     |       |     |      |     |     |   |     |      |   |  |   |    |  |    |  |    |      |   |  |   |    |   |    |              |            |             |            |              |           |              |             |              |              |            |             |            |            |            |            |       |     |      |     |  |     |     |       |     |       |     |      |     |  |     |     |       |    |     |    |  |     |     |      |     |      |    |     |    |   |     |     |       |     |     |     |    |    |    |     |    |       |      |     |      |    |    |    |              |            |             |            |           |            |            |              |            |              |            |             |            |           |            |            |       |       |  |       |    |   |    |     |    |       |       |  |       |    |    |    |                |              |              |              |              |              |              |              |              |                |              |              |              |              |              |              |
|---------|-------|-------|-------|-------|-----|-------|-------|-------|---------|--|-------|-------|----------|-----|-------|--|-----|------|----------------|-----|-----|-------|------|-------|-------|-----|------|-----|-----|-----|-----|------|------|-----|------|----|----|----|-----|----|------|----|--|----|----|----|----|-------|-----|------|----|-----|-----|-----|------|-----|-------|-----|------|-----|-----|----|-----|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|------------|--------------|------|----|-----|----|--|-----|-----|------|-----|------|----|-----|----|--|----|----|-------|-----|------|------|-----|----|-----|-----|-----|------|----|------|----|----|----|----|-------|-----|------|-----|-----|----|-----|-----|-----|------|-----|------|----|--|--|--|--|--------------|------------|-------------|------------|------------|------------|------------|-------------|------------|--------------|------------|-------------|------------|------------|------------|------------|-------|----|------|----|-----|----|-----|------|-----|-------|----|------|----|-----|-----|-----|-------|-----|------|-----|-----|----|-----|-----|-----|-------|-----|------|-----|-----|---|-----|------|---|--|---|----|--|----|--|----|------|---|--|---|----|---|----|--------------|------------|-------------|------------|--------------|-----------|--------------|-------------|--------------|--------------|------------|-------------|------------|------------|------------|------------|-------|-----|------|-----|--|-----|-----|-------|-----|-------|-----|------|-----|--|-----|-----|-------|----|-----|----|--|-----|-----|------|-----|------|----|-----|----|---|-----|-----|-------|-----|-----|-----|----|----|----|-----|----|-------|------|-----|------|----|----|----|--------------|------------|-------------|------------|-----------|------------|------------|--------------|------------|--------------|------------|-------------|------------|-----------|------------|------------|-------|-------|--|-------|----|---|----|-----|----|-------|-------|--|-------|----|----|----|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
|         |       |       |       |       |     |       |       |       |         | Depreciation, depletion and amortization |       |       | Value    |     |       | Depreciation, depletion and amortization |     |      | Revenues added |     |     |       |      |       |       |     |      |     |     |     |     |      |      |     |      |    |    |    |     |    |      |    |  |    |    |    |    |       |     |      |    |     |     |     |      |     |       |     |      |     |     |    |     |                |              |              |              |              |              |              |              |              |                |              |              |              |              |            |              |      |    |     |    |  |     |     |      |     |      |    |     |    |  |    |    |       |     |      |      |     |    |     |     |     |      |    |      |    |    |    |    |       |     |      |     |     |    |     |     |     |      |     |      |    |  |  |  |  |              |            |             |            |            |            |            |             |            |              |            |             |            |            |            |            |       |    |      |    |     |    |     |      |     |       |    |      |    |     |     |     |       |     |      |     |     |    |     |     |     |       |     |      |     |     |   |     |      |   |  |   |    |  |    |  |    |      |   |  |   |    |   |    |              |            |             |            |              |           |              |             |              |              |            |             |            |            |            |            |       |     |      |     |  |     |     |       |     |       |     |      |     |  |     |     |       |    |     |    |  |     |     |      |     |      |    |     |    |   |     |     |       |     |     |     |    |    |    |     |    |       |      |     |      |    |    |    |              |            |             |            |           |            |            |              |            |              |            |             |            |           |            |            |       |       |  |       |    |   |    |     |    |       |       |  |       |    |    |    |                |              |              |              |              |              |              |              |              |                |              |              |              |              |              |              |
|         |       |       |       |       |     |       |       |       |         | Operating income                         |       |       | Expenses |     |       | Domestic                                 |     |      | Total          |     |     |       |      |       |       |     |      |     |     |     |     |      |      |     |      |    |    |    |     |    |      |    |  |    |    |    |    |       |     |      |    |     |     |     |      |     |       |     |      |     |     |    |     |                |              |              |              |              |              |              |              |              |                |              |              |              |              |            |              |      |    |     |    |  |     |     |      |     |      |    |     |    |  |    |    |       |     |      |      |     |    |     |     |     |      |    |      |    |    |    |    |       |     |      |     |     |    |     |     |     |      |     |      |    |  |  |  |  |              |            |             |            |            |            |            |             |            |              |            |             |            |            |            |            |       |    |      |    |     |    |     |      |     |       |    |      |    |     |     |     |       |     |      |     |     |    |     |     |     |       |     |      |     |     |   |     |      |   |  |   |    |  |    |  |    |      |   |  |   |    |   |    |              |            |             |            |              |           |              |             |              |              |            |             |            |            |            |            |       |     |      |     |  |     |     |       |     |       |     |      |     |  |     |     |       |    |     |    |  |     |     |      |     |      |    |     |    |   |     |     |       |     |     |     |    |    |    |     |    |       |      |     |      |    |    |    |              |            |             |            |           |            |            |              |            |              |            |             |            |           |            |            |       |       |  |       |    |   |    |     |    |       |       |  |       |    |    |    |                |              |              |              |              |              |              |              |              |                |              |              |              |              |              |              |
|         |       |       |       |       |     |       |       |       |         | Net                                      |       |       | Net      |     |       | Net                                      |     |      | Net            |     |     |       |      |       |       |     |      |     |     |     |     |      |      |     |      |    |    |    |     |    |      |    |  |    |    |    |    |       |     |      |    |     |     |     |      |     |       |     |      |     |     |    |     |                |              |              |              |              |              |              |              |              |                |              |              |              |              |            |              |      |    |     |    |  |     |     |      |     |      |    |     |    |  |    |    |       |     |      |      |     |    |     |     |     |      |    |      |    |    |    |    |       |     |      |     |     |    |     |     |     |      |     |      |    |  |  |  |  |              |            |             |            |            |            |            |             |            |              |            |             |            |            |            |            |       |    |      |    |     |    |     |      |     |       |    |      |    |     |     |     |       |     |      |     |     |    |     |     |     |       |     |      |     |     |   |     |      |   |  |   |    |  |    |  |    |      |   |  |   |    |   |    |              |            |             |            |              |           |              |             |              |              |            |             |            |            |            |            |       |     |      |     |  |     |     |       |     |       |     |      |     |  |     |     |       |    |     |    |  |     |     |      |     |      |    |     |    |   |     |     |       |     |     |     |    |    |    |     |    |       |      |     |      |    |    |    |              |            |             |            |           |            |            |              |            |              |            |             |            |           |            |            |       |       |  |       |    |   |    |     |    |       |       |  |       |    |    |    |                |              |              |              |              |              |              |              |              |                |              |              |              |              |              |              |
|         |       |       |       |       |     |       |       |       |         | Expenses                                 |       |       | Expenses |     |       | Expenses                                 |     |      | Expenses       |     |     |       |      |       |       |     |      |     |     |     |     |      |      |     |      |    |    |    |     |    |      |    |  |    |    |    |    |       |     |      |    |     |     |     |      |     |       |     |      |     |     |    |     |                |              |              |              |              |              |              |              |              |                |              |              |              |              |            |              |      |    |     |    |  |     |     |      |     |      |    |     |    |  |    |    |       |     |      |      |     |    |     |     |     |      |    |      |    |    |    |    |       |     |      |     |     |    |     |     |     |      |     |      |    |  |  |  |  |              |            |             |            |            |            |            |             |            |              |            |             |            |            |            |            |       |    |      |    |     |    |     |      |     |       |    |      |    |     |     |     |       |     |      |     |     |    |     |     |     |       |     |      |     |     |   |     |      |   |  |   |    |  |    |  |    |      |   |  |   |    |   |    |              |            |             |            |              |           |              |             |              |              |            |             |            |            |            |            |       |     |      |     |  |     |     |       |     |       |     |      |     |  |     |     |       |    |     |    |  |     |     |      |     |      |    |     |    |   |     |     |       |     |     |     |    |    |    |     |    |       |      |     |      |    |    |    |              |            |             |            |           |            |            |              |            |              |            |             |            |           |            |            |       |       |  |       |    |   |    |     |    |       |       |  |       |    |    |    |                |              |              |              |              |              |              |              |              |                |              |              |              |              |              |              |
| (2,658) | 4,504 | (419) | 4,085 | 3,146 | 849 | 3,995 | (128) | 3,867 | (1,761) | 2,106                                    | (270) | 1,836 | 2,108    | 554 | 2,662 | (1,321)                                  | 684 | (23) | 661            | 893 | 255 | 1,148 | (44) | 1,104 | (824) | 280 | (12) | 268 | 627 | 211 | 838 | (81) | (10) | (1) | (11) | 61 | 15 | 76 | (4) | 72 | (46) | 26 |  | 26 | 38 | 11 | 49 | (344) | 103 | (20) | 83 | 423 | 202 | 625 | (52) | 573 | (315) | 258 | (15) | 243 | 201 | 99 | 300 | <b>(4,404)</b> | <b>5,281</b> | <b>(463)</b> | <b>4,818</b> | <b>4,523</b> | <b>1,321</b> | <b>5,844</b> | <b>(228)</b> | <b>5,616</b> | <b>(2,946)</b> | <b>2,670</b> | <b>(297)</b> | <b>2,373</b> | <b>2,974</b> | <b>875</b> | <b>3,849</b> | (86) | 52 | (8) | 44 |  | 124 | 124 | (15) | 109 | (51) | 58 | (5) | 53 |  | 94 | 94 | (176) | (6) | (20) | (26) | 142 | 22 | 164 | (6) | 158 | (93) | 65 | (14) | 51 | 83 | 13 | 96 | (203) | 180 | (34) | 146 | 184 | 17 | 201 | (3) | 198 | (90) | 108 | (16) | 92 |  |  |  |  | <b>(465)</b> | <b>226</b> | <b>(62)</b> | <b>164</b> | <b>326</b> | <b>163</b> | <b>489</b> | <b>(24)</b> | <b>465</b> | <b>(236)</b> | <b>229</b> | <b>(35)</b> | <b>194</b> | <b>104</b> | <b>107</b> | <b>211</b> | (445) | 62 | (25) | 37 | 439 | 19 | 458 | (18) | 440 | (350) | 90 | (19) | 71 | 342 | 153 | 495 | (397) | 421 | (26) | 395 | 710 | 29 | 739 | (3) | 736 | (286) | 450 | (15) | 435 | 312 | 8 | 320 | (49) | 5 |  | 5 | 53 |  | 53 |  | 53 | (48) | 5 |  | 5 | 34 | 3 | 37 | <b>(891)</b> | <b>488</b> | <b>(51)</b> | <b>437</b> | <b>1,202</b> | <b>48</b> | <b>1,250</b> | <b>(21)</b> | <b>1,229</b> | <b>(684)</b> | <b>545</b> | <b>(34)</b> | <b>511</b> | <b>688</b> | <b>164</b> | <b>852</b> | (528) | 208 | (35) | 173 |  | 612 | 612 | (100) | 512 | (334) | 178 | (28) | 150 |  | 373 | 373 | (126) | 70 | (5) | 65 |  | 173 | 173 | (29) | 144 | (89) | 55 | (4) | 51 | 1 | 143 | 144 | (101) | (4) | (3) | (7) | 52 | 40 | 92 | (7) | 85 | (123) | (38) | (1) | (39) | 54 | 33 | 87 | <b>(755)</b> | <b>274</b> | <b>(43)</b> | <b>231</b> | <b>52</b> | <b>825</b> | <b>877</b> | <b>(136)</b> | <b>741</b> | <b>(546)</b> | <b>195</b> | <b>(33)</b> | <b>162</b> | <b>55</b> | <b>549</b> | <b>604</b> | (226) | (218) |  | (218) | 10 | 9 | 19 | (4) | 15 | (132) | (117) |  | (117) | 19 | 10 | 29 | <b>(6,741)</b> | <b>6,051</b> | <b>(619)</b> | <b>5,432</b> | <b>6,113</b> | <b>2,366</b> | <b>8,479</b> | <b>(413)</b> | <b>8,066</b> | <b>(4,544)</b> | <b>3,522</b> | <b>(399)</b> | <b>3,123</b> | <b>3,840</b> | <b>1,705</b> | <b>5,545</b> |

**Table of Contents****20 Related party transactions**

Transactions with major related parties resulted in the following balances:

|  | <b>2005</b>   |                    | <b>As of December 31<br/>2004</b> |                    |
|--|---------------|--------------------|-----------------------------------|--------------------|
|  | <b>Assets</b> | <b>Liabilities</b> | <b>Assets</b>                     | <b>Liabilities</b> |
| <b>AFFILIATED COMPANIES AND JOINT VENTURES</b> |               |                    |                                   |                    |
| HISpanoBRAS                                    | 24            | 42                 | 25                                | 39                 |
| ITABRASCO                                      | 24            | 17                 | 24                                | 28                 |
| NIBRASCO                                       | 47            | 83                 | 32                                | 29                 |
| KOBRASCO                                       | 34            | 26                 | 43                                | 18                 |
| BAOVALE  |               | 18                 |                                   | 13                 |
| USIMINAS                                       | 14            |                    | 7                                 |                    |
| MSG  | 3             | 9                  |                                   |                    |
| MRS  | 15            | 11                 | 13                                | 19                 |
| FERROBAN                                       |               |                    | 39                                | 8                  |
| MRN  |               | 34                 | 1                                 | 20                 |
| SAMARCO  | 2             |                    | 22                                |                    |
| Others   | 22            | 13                 | 29                                | 18                 |
|  | <b>185</b>    | <b>253</b>         | <b>235</b>                        | <b>192</b>         |
| Current  | 181           | 252                | 180                               | 174                |
| Long-term                                      | 4             | 1                  | 55                                | 18                 |

These balances are included in the following balance sheet classifications:

|                                       | <b>2005</b>   |                    | <b>As of December 31<br/>2004</b> |                    |
|---------------------------------------|---------------|--------------------|-----------------------------------|--------------------|
|                                       | <b>Assets</b> | <b>Liabilities</b> | <b>Assets</b>                     | <b>Liabilities</b> |
| <b>Current assets</b>                 |               |                    |                                   |                    |
| Accounts receivable                   | 159           |                    | 124                               |                    |
| Loans and advances to related parties | 22            |                    | 56                                |                    |
| <b>Other assets</b>                   |               |                    |                                   |                    |
| Loans and advances to related parties | 4             |                    | 55                                |                    |
| <b>Current liabilities</b>            |               |                    |                                   |                    |
| Suppliers                             |               | 190                |                                   | 122                |
| Loans from related parties            |               | 62                 |                                   | 52                 |
| <b>Long-term liabilities</b>          |               |                    |                                   |                    |
| Long-term debt                        |               | 1                  |                                   | 18                 |
|                                       | <b>185</b>    | <b>253</b>         | <b>235</b>                        | <b>192</b>         |

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The principal amounts of business and financial operations carried out with major related parties are as follows:

|  | <b>Year ended December 31</b> |                |               |                |               |                |
|--|-------------------------------|----------------|---------------|----------------|---------------|----------------|
|  | <b>2005</b>                   |                | <b>2004</b>   |                | <b>2003</b>   |                |
|  | <b>Income</b>                 | <b>Expense</b> | <b>Income</b> | <b>Expense</b> | <b>Income</b> | <b>Expense</b> |
| <b>AFFILIATED COMPANIES<br/>AND JOINT VENTURES</b> |                               |                |               |                |               |                |
| CST  |                               |                | 251           |                | 136           |                |
| NIBRASCO   | 280                           | 310            | 147           | 80             | 116           | 133            |
| SAMARCO  | 25                            | 1              | 16            |                |               |                |
| SIDERAR  | 11                            |                | 86            |                | 53            |                |
| ITABRASCO  | 158                           | 65             | 84            | 1              | 61            | 20             |
| HISpanoBRAS  | 170                           | 185            | 97            |                | 66            | 69             |
| KOBRASCO   | 170                           | 113            | 92            | 2              | 62            | 57             |
| USIMINAS   | 24                            |                | 109           |                | 79            |                |
| ALBRAS (to December 2003)                          |                               |                |               |                | 149           | 286            |
| VALESUL  | 66                            |                | 16            |                | 10            |                |
| MRN  |                               | 136            |               | 154            |               | 133            |
| GIIC   | 157                           |                | 74            |                |               |                |
| MRS  | 4                             | 385            |               | 80             |               |                |
| Others   | 19                            | 60             | 15            | 56             | 55            | 43             |
|  | <b>1,084</b>                  | <b>1,255</b>   | <b>987</b>    | <b>373</b>     | <b>787</b>    | <b>741</b>     |

These amounts are included in the following statement of income line items:

|   | <b>Year ended December 31</b> |                |               |                |               |                |
|---|-------------------------------|----------------|---------------|----------------|---------------|----------------|
|   | <b>2005</b>                   |                | <b>2004</b>   |                | <b>2003</b>   |                |
|   | <b>Income</b>                 | <b>Expense</b> | <b>Income</b> | <b>Expense</b> | <b>Income</b> | <b>Expense</b> |
| Sales / Cost of iron ore and pellets      | 964                           | 694            | 842           | 108            | 608           | 317            |
| Revenues / expense from logistic services | 4                             | 387            | 95            | 80             | 13            |                |
| Sales / Cost of aluminum products         | 66                            | 136            | 16            | 144            | 153           | 421            |
| Financial income/expenses                 | 26                            | 36             | 6             | 10             | 10            | 2              |
| Others                                    | 24                            | 2              | 28            | 31             | 3             | 1              |
|   | <b>1,084</b>                  | <b>1,255</b>   | <b>987</b>    | <b>373</b>     | <b>787</b>    | <b>741</b>     |

**21 Fair value of financial instruments**

The carrying amount of our current financial instruments generally approximates fair market value because of the short-term maturity or frequent repricing of these instruments.

The market value of our listed long-term investments, where available, is disclosed in Note 13 to these financial statements.

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Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, the fair market value of long-term debt (current portion not included) at December 31, 2005 and 2004 is estimated as follows:

|                   | <b>As of December 31</b> |             |
|-------------------|--------------------------|-------------|
|                   | <b>2005</b>              | <b>2004</b> |
| Fair market value | 4,076                    | 3,355       |
| Carrying value    | 3,714                    | 3,214       |

Fair market value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Changes in assumptions could significantly affect the estimates.

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**22 Derivative financial instruments**

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

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

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

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|  | <b>Interest<br/>rates<br/>(LIBOR)</b> | <b>Currencies</b> | <b>Gold</b> | <b>Alumina</b> | <b>Aluminum</b> | <b>Total</b> |
|--|---------------------------------------|-------------------|-------------|----------------|-----------------|--------------|
| Unrealized gains (losses) at<br>October 1, 2005            | (7)                                   | 1                 | (37)        | (30)           | (99)            | (172)        |
| Financial settlement                                       | 1                                     |                   | 4           | 11             | 10              | 26           |
| Unrealized gains (losses) in<br>the period                 | 2                                     |                   | (16)        | (36)           | (76)            | (126)        |
| Effect of exchange rate<br>changes                         |                                       |                   | 3           | 2              | 8               | 13           |
| <b>Unrealized gains (losses) at<br/>December 31, 2005</b>  | <b>(4)</b>                            | <b>1</b>          | <b>(46)</b> | <b>(53)</b>    | <b>(157)</b>    | <b>(259)</b> |
| Unrealized gains (losses) at<br>July 1, 2005               | (9)                                   | 2                 | (30)        | (22)           | (54)            | (113)        |
| Financial settlement                                       |                                       | (1)               | 3           | 7              | 7               | 16           |
| Unrealized gains (losses) in<br>the period                 | 2                                     |                   | (8)         | (13)           | (47)            | (66)         |
| Effect of exchange rate<br>changes                         |                                       |                   | (2)         | (2)            | (5)             | (9)          |
| <b>Unrealized gains (losses) at<br/>September 30, 2005</b> | <b>(7)</b>                            | <b>1</b>          | <b>(37)</b> | <b>(30)</b>    | <b>(99)</b>     | <b>(172)</b> |
| Unrealized gains (losses) at<br>October 1, 2004            | (31)                                  | 1                 | (32)        | (37)           | (65)            | (164)        |
| Financial settlement                                       | 12                                    |                   | 4           |                |                 | 16           |
| Unrealized gains (losses) in<br>the period                 | 3                                     | 3                 | (5)         | (14)           | (54)            | (67)         |
| Effect of exchange rate<br>changes                         | (1)                                   |                   | (4)         | (4)            | (8)             | (17)         |
| <b>Unrealized gains (losses) at<br/>December 31, 2004</b>  | <b>(17)</b>                           | <b>4</b>          | <b>(37)</b> | <b>(55)</b>    | <b>(127)</b>    | <b>(232)</b> |
| Unrealized gains (losses) at<br>January 1, 2005            | (17)                                  | 4                 | (37)        | (55)           | (127)           | (232)        |
| Financial settlement                                       | 9                                     | (1)               | 11          | 34             | 36              | 89           |
| Unrealized gains (losses) in<br>the period                 | 6                                     | (2)               | (17)        | (28)           | (60)            | (101)        |
| Effect of exchange rate<br>changes                         | (2)                                   |                   | (3)         | (4)            | (6)             | (15)         |

|   |             |          |             |             |              |              |
|---|-------------|----------|-------------|-------------|--------------|--------------|
| <b>Unrealized gains (losses) at December 31, 2005</b>             | <b>(4)</b>  | <b>1</b> | <b>(46)</b> | <b>(53)</b> | <b>(157)</b> | <b>(259)</b> |
| Unrealized gains (losses) at January 1, 2004                      | (46)        | 5        | (32)        | (18)        |              | (91)         |
| Loss recognized upon consolidation of Albras Financial settlement | 29          | (2)      | 4           |             | (20)         | (20)         |
| Unrealized gains (losses) in the period                           | 1           | 1        | (5)         | (33)        | (98)         | (134)        |
| Effect of exchange rate changes                                   | (1)         |          | (4)         | (4)         | (9)          | (18)         |
| <b>Unrealized gains (losses) at December 31, 2004</b>             | <b>(17)</b> | <b>4</b> | <b>(37)</b> | <b>(55)</b> | <b>(127)</b> | <b>(232)</b> |
| Unrealized gains (losses) at January 1, 2003                      | (60)        | (1)      | (15)        | 3           |              | (73)         |
| Financial settlement  | 30          |          | 8           |             |              | 38           |
| Unrealized gains (losses) in the period                           | (3)         | 6        | (24)        | (22)        |              | (43)         |
| Effect of exchange rate changes                                   | (13)        |          | (1)         | 1           |              | (13)         |
| <b>Unrealized gains (losses) at December 31, 2003</b>             | <b>(46)</b> | <b>5</b> | <b>(32)</b> | <b>(18)</b> |              | <b>(91)</b>  |

Changes for the three month periods ended December 31, 2005, September 30, 2005 and December 31, 2004 are unaudited.

Unrealized gains (losses) in the period are included in our income statement financial expenses and foreign exchange and monetary gains (losses), net:

Final maturity dates for the above instruments are as follows:

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

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**(a) Interest Rate and Exchange Rate Risk**

Interest rate risks mainly relate to that part of the foreign debt borrowed at floating rates. The foreign currency debt is largely subject to fluctuations in the London Interbank Offered Rate – LIBOR. That portion of local currency denominated debt that is subject to floating rates is linked to the Long Term Interest Rate – TJLP, fixed quarterly by the Brazilian Central Bank. We have used derivative instruments to mitigate the volatility in the LIBOR rate.

There is an exchange rate risk associated with our foreign currency denominated debt. On the other hand, the majority of our revenues is denominated in, or automatically indexed to, the U.S. dollar, while the majority of our costs is denominated in Reais. This provides a natural hedge against any devaluation of the Brazilian real against the U.S. dollar. When events of this nature occur, the immediate negative impact on foreign currency denominated debt is offset over time by the positive effect of devaluation on future cash flows.

With the floating exchange rate regime in Brazil, we adopt a strategy of monitoring market fluctuations, using derivatives to mitigate the volatility of exchange rate.

From time to time we enter into cross-currency interest rate swap transactions seeking to change the characteristics of our real-denominated cash investments for US dollar-indexed instruments. The extent of such transactions depends on our perception of market and currency risk, but is never speculative in nature. All such operations are marked-to-market at each balance sheet date and the effect included in financial income or expense. During the periods presented our use of such instruments was not significant.

**(b) Commodity Price Risk**

We also use derivative instruments to manage exposure to changing gold prices and to ensure an average minimum profit level for future gold and alumina production. However, these may also have the effect of eliminating potential gains on certain price increases in the spot market. We manage our contract positions actively, and the results are reviewed at least monthly, allowing adjustments to targets and strategy to be made in response to changing market conditions.

In the case of gold and alumina derivatives, our policy has been to settle all contracts through cash payments or receipts, without physical delivery of product.

**23 Information about independent auditors**

Our consolidated financial statements are audited by PricewaterhouseCoopers Auditores Independentes, Brazil. The 2003 financial statements of certain of our subsidiaries and affiliates have been audited by independent auditors other than PricewaterhouseCoopers Auditores Independentes as described below, and, as mentioned in their report, PricewaterhouseCoopers Auditores Independentes has relied on such audits when expressing their opinion on our consolidated financial statements.

The following entities prepare financial statements accordance with US GAAP which are audited in accordance with the standards of the Public Company Accounting Oversight Board (United States):

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|  | <b>Auditors</b> | <b>City</b> | <b>State</b> | <b>Country</b> |
|--|-----------------|-------------|--------------|----------------|
| Alumina do Norte do Brasil S.A. ALUNORTE                   | Trevisan        | RJ          | RJ           | Brazil         |
| Alumínio Brasileiro S.A. ALBRAS                            | Trevisan        | RJ          | RJ           | Brazil         |
| Companhia Nipo-Brasileira de Pelotização NIBRASCO          | Deloitte        | RJ          | RJ           | Brazil         |
| Companhia Coreano Brasileira de Pelotização<br>KOBRASCO    | Deloitte        | Vitória     | ES           | Brazil         |
| Companhia Hispano-Brasileira de Pelotização<br>HISPANOBRAS | Deloitte        | Vitória     | ES           | Brazil         |
| Companhia Ítalo-Brasileira de Pelotização ITABRASCO        | Deloitte        | Vitória     | ES           | Brazil         |
| Mineração Rio do Norte S.A.                                | Deloitte        | RJ          | RJ           | Brazil         |
| Navegação Vale do Rio Doce S.A. DOCENAVE                   | Deloitte        | RJ          | RJ           | Brazil         |
| Rio Doce Manganês S.A.                                     | Deloitte        | Salvador    | BA           | Brazil         |
| Urucum Mineração S.A.                                      | Deloitte        | Salvador    | BA           | Brazil         |
| Valesul Alumínio S.A.                                      | Deloitte        | RJ          | RJ           | Brazil         |
| Deloitte Deloitte Touche Tohmatsu Auditores Independentes  |                 |             |              |                |
| RJ Rio de Janeiro  |                 |             |              |                |
| ES Espírito Santo  |                 |             |              |                |
| BA Bahia   |                 |             |              |                |
| Trevisan Trevisan Auditores Independentes                  |                 |             |              |                |

**24 Subsequent events**

1. On January 05, 2006 CVRD's wholly owned Finance subsidiary Vale Overseas Limited concluded a tender offer US\$300 million 9.000% Guaranteed Notes due 2013.
2. In January 2006, CVRD's wholly owned Finance subsidiary Vale Overseas Limited issued US\$1 billion 10-year 6.250% notes, payable semi-annually due 2016, at a price of 99.97% of the principal amount.

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**Supplemental Financial Information (Unaudited)**

The following unaudited information provides additional details in relation to certain financial ratios.

**EBITDA** Earnings Before Interest, Income Tax, Depreciation and Amortization

- (a) EBITDA represents operating income plus depreciation, amortization and depletion plus impairment/gain on sale of property, plant and equipment plus dividends received from equity investees.
- (b) EBITDA is not a US GAAP measure and does not represent cash flow for the periods presented and should not be considered as an alternative to net income (loss), as an indicator of our operating performance or as an alternative to cash flow as a source of liquidity.
- (c) Our definition of EBITDA may not be comparable with EBITDA as defined by other companies.
- (d) Although EBITDA, as defined above, does not provide a US GAAP measure of operating cash flows, our management uses it to measure our operating performance and it is commonly used by financial analysts in evaluating our business.

Selected financial indicators for the main affiliates and joint ventures are available on the Company's website, [www.cvr.com.br](http://www.cvr.com.br), under investor relations

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**Table of Contents****Indexes on CVRD's Consolidated Debt (Supplemental information Unaudited)**

|  | As of and for the three month<br>periods ended |                       |                      | As of and for the<br>year ended |                      |
|--|--|-----------------------|----------------------|---------------------------------|----------------------|
|  | December<br>31,<br>2005                        | September<br>30, 2005 | December<br>31, 2004 | December<br>31,<br>2005         | December<br>31, 2004 |
| <b>Current debt</b>                                    |  |                       |                      |                                 |                      |
| Current portion of long-term debt<br>unrelated parties | 1,218  | 688                   | 730                  | 1,218                           | 730                  |
| Short-term debt  | 15   | 171                   | 74                   | 15                              | 74                   |
| Loans from related parties                             | 62   | 51                    | 52                   | 62                              | 52                   |
|  | <b>1,295</b>                                   | <b>910</b>            | <b>856</b>           | <b>1,295</b>                    | <b>856</b>           |
| <b>Long-term debt</b>                                  |  |                       |                      |                                 |                      |
| Long-term debt unrelated parties                       | 3,714  | 3,031                 | 3,214                | 3,714                           | 3,214                |
| Loans from related parties                             | 1  | 1                     | 18                   | 1                               | 18                   |
|  | <b>3,715</b>                                   | <b>3,032</b>          | <b>3,232</b>         | <b>3,715</b>                    | <b>3,232</b>         |
| <b>Gross debt (current plus long-term<br/>debt)</b>    | <b>5,010</b>                                   | <b>3,942</b>          | <b>4,088</b>         | <b>5,010</b>                    | <b>4,088</b>         |
| <b>Interest paid over:</b>                             |  |                       |                      |                                 |                      |
| Short-term debt  | (8)  | (1)                   | (3)                  | (9)                             | (5)                  |
| Long-term debt   | (55)   | (71)                  | (82)                 | (243)                           | (295)                |
| <b>Interest paid</b>                                   | <b>(63)</b>                                    | <b>(72)</b>           | <b>(85)</b>          | <b>(252)</b>                    | <b>(300)</b>         |
| <b>EBITDA</b>  | <b>1,780</b>                                   | <b>1,734</b>          | <b>1,001</b>         | <b>6,540</b>                    | <b>3,722</b>         |
| <b>Stockholders equity</b>                             | <b>11,977</b>                                  | <b>12,205</b>         | <b>7,391</b>         | <b>11,977</b>                   | <b>7,391</b>         |
| <b>LTM EBITDA / LTM Interest paid</b>                  | <b>25.95</b>                                   | <b>21.03</b>          | <b>12.41</b>         | <b>25.95</b>                    | <b>12.41</b>         |
| <b>Gross Debt / LTM EBITDA</b>                         | <b>0.77</b>                                    | <b>0.68</b>           | <b>1.10</b>          | <b>0.77</b>                     | <b>1.10</b>          |
| <b>Gross debt / Equity Capitalization<br/>(%)</b>      | <b>29</b>                                      | <b>24</b>             | <b>36</b>            | <b>29</b>                       | <b>36</b>            |
| <b>Financial expenses</b>                              |  |                       |                      |                                 |                      |
| Third party local debt                                 | (14)   | (17)                  | (11)                 | (56)                            | (48)                 |
| Third party foreign debt                               | (18)   | (52)                  | (52)                 | (150)                           | (211)                |
| Related party debt                                     | (2)  | 2                     |                      | (6)                             | (10)                 |
| Gross interest   | (34)   | (67)                  | (63)                 | (212)                           | (269)                |
| Labor and civil claims and tax-related<br>actions      | (12)   | (27)                  | (11)                 | (62)                            | (37)                 |
| Tax on financial transactions CPMF                     | (19)   | (15)                  | (11)                 | (59)                            | (38)                 |
| Derivatives (Interest rate / Currencies)               | 2  | 2                     | 6                    | 3                               | 2                    |
| Derivatives (Gold / Alumina /<br>Aluminium / Energy)   | (115)  | (66)                  | (73)                 | (119)                           | (136)                |

|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Others   | (23)         | (43)         | (106)        | (111)        | (193)        |
|  | <b>(201)</b> | <b>(216)</b> | <b>(258)</b> | <b>(560)</b> | <b>(671)</b> |
| <b>Financial income</b>  |              |              |              |              |              |
| Cash and cash equivalents  | 27           | 27           | 20           | 87           | 48           |
| Others   | 4            | 9            | 21           | 36           | 34           |
|  | <b>31</b>    | <b>36</b>    | <b>41</b>    | <b>123</b>   | <b>82</b>    |
| <b>Financial expenses, net</b>                                   | <b>(170)</b> | <b>(180)</b> | <b>(217)</b> | <b>(437)</b> | <b>(589)</b> |
| Foreign exchange and monetary gain<br>(losses) on liabilities(1) | (306)        | 319          | 370          | 519          | 184          |
| Foreign exchange and monetary gain<br>(losses) on assets         | 140          | (156)        | (95)         | (220)        | (119)        |
| <b>Foreign exchange and monetary gain<br/>(losses), net</b>      | <b>(166)</b> | <b>163</b>   | <b>275</b>   | <b>299</b>   | <b>65</b>    |
| <b>Financial result, net</b>                                     | <b>(336)</b> | <b>(17)</b>  | <b>58</b>    | <b>(138)</b> | <b>(524)</b> |

(1) Includes foreign exchange gain(loss) on derivatives in the amount of US\$ (13), US\$ (2) , US\$ 0 , US\$ 14 and US\$ 0 for the three-month periods ended December 31, 2005, September 30,2005 and December 31 2004 and for the year ended December 31, 2005 and December 31, 2004, respectively.

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**Table of Contents****Calculation of EBITDA (Supplemental information Unaudited)**

|                        | As of and for the three months ended |                    |                   | As of and for the year ended |                   |
|------------------------|--------------------------------------|--------------------|-------------------|------------------------------|-------------------|
|                        | December 31, 2005                    | September 30, 2005 | December 31, 2004 | December 31, 2005            | December 31, 2004 |
| Operating income       | 1,461                                | 1,405              | 822               | 5,432                        | 3,123             |
| Depreciation           | 183                                  | 171                | 119               | 619                          | 399               |
|                        | <b>1,644</b>                         | <b>1,576</b>       | <b>941</b>        | <b>6,051</b>                 | <b>3,522</b>      |
| Dividends received     | 136                                  | 158                | 60                | 489                          | 200               |
| <b>EBITDA</b>          | <b>1,780</b>                         | <b>1,734</b>       | <b>1,001</b>      | <b>6,540</b>                 | <b>3,722</b>      |
| Net operating revenues | 3,598                                | 3,445              | 2,317             | 12,792                       | 8,066             |
| <b>Margin EBITDA</b>   | <b>49.5%</b>                         | <b>50.3%</b>       | <b>43.2%</b>      | <b>51.1%</b>                 | <b>46.1%</b>      |

**Adjusted EBITDA x Operating Cash Flows (Supplemental information Unaudited)**

|   | As of and for the three months ended |       |                    |       |                   |       | As of and for the year ended |       |                   |       |
|---|--------------------------------------|-------|--------------------|-------|-------------------|-------|------------------------------|-------|-------------------|-------|
|   | December 31, 2005                    |       | September 30, 2005 |       | December 31, 2004 |       | December 31, 2005            |       | December 31, 2004 |       |
|   | Operating cash                       |       | Operating cash     |       | Operating cash    |       | Operating cash               |       | Operating cash    |       |
|   | EBITDA                               | flows | EBITDA             | flows | EBITDA            | flows | EBITDA                       | flows | EBITDA            | flows |
| Net income  | 1,196                                | 1,196 | 1,317              | 1,317 | 721               | 721   | 4,841                        | 4,841 | 2,573             | 2,573 |
| Income tax  | (36)                                 | (36)  | 102                | 102   | 386               | 386   | 126                          | 126   | 316               | 316   |
| Income tax cash   | 92                                   |       | 172                |       | 10                |       | 754                          |       | 433               |       |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (213)                                | (213) | (194)              | (194) | (179)             | (179) | (760)                        | (760) | (542)             | (542) |
| Foreign exchange and monetary losses  | 166                                  | 235   | (163)              | (201) | (275)             | (106) | (299)                        | (237) | (65)              | 112   |
| Financial expenses  | 170                                  | 140   | 180                | 77    | 217               | 38    | 437                          | 163   | 589               | 93    |
| Minority interests  | 86                                   | 86    | 117                | 117   | 32                | 32    | 459                          | 459   | 223               | 223   |
| Gain on sale of investments   |                                      |       | (126)              | (126) | (90)              | (90)  | (126)                        | (126) | (404)             | (404) |
|   |                                      | (167) |                    | 354   |                   | 48    |                              | (307) |                   | 319   |

|  |              |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net working capital                      |              |              |              |              |              |              |              |              |              |              |
| Others                                   |              | (44)         |              | 13           |              | 42           |              | (106)        |              | 182          |
| <b>Operating income</b>                  | <b>1,461</b> | <b>1,197</b> | <b>1,405</b> | <b>1,459</b> | <b>822</b>   | <b>892</b>   | <b>5,432</b> | <b>4,053</b> | <b>3,123</b> | <b>2,872</b> |
| Depreciation, depletion and amortization | 183          | 183          | 171          | 171          | 119          | 119          | 619          | 619          | 399          | 399          |
| Dividends received                       | 136          | 136          | 158          | 158          | 60           | 60           | 489          | 489          | 200          | 200          |
|  | <b>1,780</b> | <b>1,516</b> | <b>1,734</b> | <b>1,788</b> | <b>1,001</b> | <b>1,071</b> | <b>6,540</b> | <b>5,161</b> | <b>3,722</b> | <b>3,471</b> |
| <b>Operating cash flows</b>              |              | <b>1,516</b> |              | <b>1,788</b> |              | <b>1,071</b> |              | <b>5,161</b> |              | <b>3,471</b> |
| Income tax                               |              | 92           |              | 172          |              | 10           |              | 754          |              | 433          |
| Foreign exchange and monetary losses     |              | (69)         |              | 38           |              | (169)        |              | (62)         |              | (177)        |
| Financial expenses                       |              | 30           |              | 103          |              | 179          |              | 274          |              | 496          |
| Net working capital                      |              | 167          |              | (354)        |              | (48)         |              | 307          |              | (319)        |
| Others                                   |              | 44           |              | (13)         |              | (42)         |              | 106          |              | (182)        |
| <b>EBITDA</b>                            |              | <b>1,780</b> |              | <b>1,734</b> |              | <b>1,001</b> |              | <b>6,540</b> |              | <b>3,722</b> |

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**Board of Directors, Fiscal Council and Executive Officers**

**Board of Directors**

Sérgio Ricardo Silva Rosa

Chairman

Arlindo Magno de Oliveira

Eduardo Fernando Jardim Pinto

Erik Persson

Jorge Luiz Pacheco

Jaques Wagner

Hiroshi Tada

Mário da Silveira Teixeira Júnior

Oscar Augusto de Camargo Filho

Renato da Cruz Gomes

Francisco Augusto da Costa e Silva

**Advisory Committees of the Board of Directors**

**Accounting Committee**

Antonio José de Figueiredo Ferreira

Inácio Clemente da Silva

Paulo Roberto Ferreira de Medeiros

**Executive Development Committee**

Arlindo Magno de Oliveira

João Moisés de Oliveira

Olga Nietta Loffredi

Oscar Augusto de Camargo Filho

**Strategic Committee**

Roger Agnelli

Gabriel Stoliar

César Manoel de Medeiros

José Roberto Mendonça de Barros

Luciano Coutinho

**Finance Committee**

Roger Agnelli

Fábio de Oliveira Barbosa

Rômulo de Mello Dias

Wanderlei Viçoso Fagundes

Ivan Luiz Modesto Schara

**Governance and Ethics Committee**

Renato da Cruz Gomes

Ricardo Simonsen

Ricardo Carvalho Giambroni

**Fiscal Council**

Marcelo Amaral Moraes

Chairman

Anibal Moreira dos Santos

Joaquim Vieira Ferreira Levy

Jose Bernardo de Medeiros Neto

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Roger Agnelli

**Chief Executive Officer**

Murilo de Oliveira Ferreira

**Executive Officer for Equity Holdings and  
Business Development**

Jose Carlos Martins

**Executive Officer for Ferrous Minerals**

Carla Grasso

**Executive Officer for Human Resources and  
Corporate Services**

José Lancaster

**Executive Officer for Non-Ferrous Minerals**

Fábio de Oliveira Barbosa

**Chief Financial Officer and Investor Relation**

Gabriel Stoliar

**Executive Officer for Planning**

Guilherme Rodolfo Laager

**Executive Officer for Logistics**

Otto de Souza Marques Junior

Chief Officer of Control Department

Marcus Vinícius Dias Severini

Chief Accountant

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**Equity Investee Information 12/31/2005**

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**Table of Contents****EQUITY INVESTEE INFORMATION 12/31/2005****Aluminum Area Valesul (Additional information Unaudited)**

| Information   | 2005                                 |                 |                                      |                 |                 | 2004                                 |                 |                                      |                 |                 |
|---|--------------------------------------|-----------------|--------------------------------------|-----------------|-----------------|--------------------------------------|-----------------|--------------------------------------|-----------------|-----------------|
|   | As of and for the three-months ended |                 | As of and for the three-months ended |                 |                 | As of and for the three-months ended |                 | As of and for the three-months ended |                 |                 |
|   | March                                | June 30         | September 30                         | December 31     | Total           | March                                | June 30         | September 30                         | December 31     | Total           |
| Quantity sold external market (thousand) MT         | 12                                   | 12              | 8                                    | 11              | 43              | 15                                   | 15              | 12                                   | 12              | 54              |
| Quantity sold external market (thousand) MT         | 11                                   | 12              | 12                                   | 16              | 51              | 10                                   | 10              | 12                                   | 12              | 44              |
| <b>Quantity sold total (thousand) MT</b>            | <b>23</b>                            | <b>24</b>       | <b>20</b>                            | <b>27</b>       | <b>94</b>       | <b>25</b>                            | <b>25</b>       | <b>24</b>                            | <b>24</b>       | <b>98</b>       |
| Average sales price external market US\$            | 1,927.69                             | 2,030.87        | 1,999.47                             | 2,119.86        | 2,019.00        | 1,676.30                             | 1,802.97        | 1,782.17                             | 1,846.29        | 1,772.79        |
| Average sales price internal market US\$            | 2,578.41                             | 2,674.31        | 2,565.35                             | 2,833.68        | 2,677.99        | 2,240.26                             | 2,214.30        | 2,330.97                             | 2,435.48        | 2,312.34        |
| <b>Average sales price total US\$</b>               | <b>2,494.08</b>                      | <b>2,216.68</b> | <b>2,339.00</b>                      | <b>2,542.86</b> | <b>2,404.27</b> | <b>1,903.80</b>                      | <b>1,969.71</b> | <b>2,063.19</b>                      | <b>2,137.55</b> | <b>2,016.89</b> |
| Long-term debt, debt, and other debt, gross US\$    |                                      |                 |                                      |                 |                 | 1                                    |                 |                                      |                 |                 |
| Short-term debt, debt, and other debt, gross US\$   | 1                                    |                 |                                      |                 |                 | 1                                    | 1               | 1                                    |                 |                 |
| <b>Total debt, debt, and other debt, gross US\$</b> | <b>1</b>                             |                 |                                      |                 |                 | <b>2</b>                             | <b>1</b>        | <b>1</b>                             |                 |                 |
| Stockholders' equity US\$                           | <b>106</b>                           | <b>114</b>      | <b>117</b>                           | <b>107</b>      | <b>107</b>      | <b>92</b>                            | <b>80</b>       | <b>94</b>                            | <b>101</b>      | <b>101</b>      |
| Net operating revenues US\$                         | 48                                   | 50              | 46                                   | 59              | 203             | 44                                   | 48              | 46                                   | 47              | 185             |
| Cost of products US\$                               | (41)                                 | (46)            | (47)                                 | (55)            | (189)           | (35)                                 | (37)            | (38)                                 | (37)            | (147)           |
| Other expenses / revenues US\$                      |                                      | 1               |                                      | (6)             | (5)             | (1)                                  | (2)             | (1)                                  | (1)             | (5)             |
| Depreciation, amortization and depletion US\$       | 1                                    | 1               | (1)                                  | 4               | 5               | 1                                    | 1               | 2                                    | 1               | 5               |
| <b>BITDA US\$</b>                                   | <b>8</b>                             | <b>6</b>        | <b>(2)</b>                           | <b>2</b>        | <b>14</b>       | <b>9</b>                             | <b>10</b>       | <b>9</b>                             | <b>10</b>       | <b>38</b>       |
|   | US\$                                 | (1)             | (1)                                  | 1               | (4)             | (5)                                  | (1)             | (1)                                  | (2)             | (5)             |

depreciation,  
amortization and  
depletion

|   |      |     |     |     |     |     |     |     |     |     |     |
|---|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| <b>EBIT</b>   | US\$ | 27  | 5   | (1) | (2) | 9   | 8   | 9   | 7   | 9   | 33  |
| Net financial<br>result   | US\$ | 1   | (1) |     |     |     |     |     | 1   | 1   | 2   |
| <b>Income before<br/>income tax and<br/>social<br/>contribution</b> | US\$ | 8   | 4   | (1) | (2) | 9   | 8   | 9   | 8   | 10  | 35  |
| Income tax and<br>social<br>contribution                            | US\$ | (3) | (2) | (2) | (2) | (9) | (2) | (2) | (2) | (3) | (9) |
| <b>Net income</b>   | US\$ | 5   | 2   | (3) | (4) |     | 6   | 7   | 6   | 7   | 26  |

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| <b>Aluminum Area</b>                     |                      | <b>MRN (Additional information</b>          |                |                     |                    | <b>Unaudited)</b>                           |                 |                |                     |                    |                   |
|--|----------------------|---|----------------|---------------------|--------------------|---|-----------------|----------------|---------------------|--------------------|-------------------|
|  |                      |   |                |                     |                    |   |                 |                |                     |                    |                   |
| <b>Information</b>                       |                      | <b>As of and for the three-months ended</b> |                |                     |                    | <b>As of and for the three-months ended</b> |                 |                |                     |                    |                   |
|  |                      | <b>March 31</b>                             | <b>June 30</b> | <b>September 30</b> | <b>December 31</b> | <b>2005 Total</b>                           | <b>March 31</b> | <b>June 30</b> | <b>September 30</b> | <b>December 31</b> | <b>2004 Total</b> |
| Quantity sold external market            | MT (thousand)        | 1,426                                       | 1,461          | 1,433               | 1,509              | 5,829                                       | 1,106           | 1,157          | 1,699               | 1,715              | 5,677             |
| Quantity sold internal market            | MT (thousand)        | 1,431                                       | 2,972          | 3,165               | 3,398              | 11,966                                      | 2,198           | 2,834          | 2,728               | 3,016              | 10,776            |
| <b>Quantity sold total</b>               | <b>MT (thousand)</b> | <b>2,857</b>                                | <b>4,433</b>   | <b>4,598</b>        | <b>4,907</b>       | <b>17,795</b>                               | <b>3,304</b>    | <b>3,991</b>   | <b>4,427</b>        | <b>4,731</b>       | <b>16,453</b>     |
| Average sales price external market      | US\$                 | 26.01                                       | 26.61          | 27.23               | 27.67              | 26.89                                       | 22.00           | 22.70          | 23.89               | 25.10              | 23.64             |
| Average sales price internal market      | US\$                 | 22.27                                       | 22.78          | 23.31               | 23.69              | 23.07                                       | 18.84           | 19.43          | 20.45               | 21.49              | 20.14             |
| <b>Average sales price total</b>         | <b>US\$</b>          | <b>24.14</b>                                | <b>24.70</b>   | <b>25.27</b>        | <b>24.91</b>       | <b>24.78</b>                                | <b>19.90</b>    | <b>20.38</b>   | <b>21.77</b>        | <b>22.80</b>       | <b>21.35</b>      |
| Long-term indebtedness, gross            | US\$                 | 26  | 17             | 7                   | 5                  | 5   | 40              | 60             | 53                  | 40                 | 40                |
| Short-term indebtedness, gross           | US\$                 | 189   | 238            | 216                 | 170                | 170   | 192             | 171            | 149                 | 150                | 150               |
| <b>Total indebtedness, gross</b>         | <b>US\$</b>          | <b>215</b>                                  | <b>255</b>     | <b>223</b>          | <b>175</b>         | <b>175</b>                                  | <b>232</b>      | <b>231</b>     | <b>202</b>          | <b>190</b>         | <b>190</b>        |
| <b>Stockholders equity</b>               | <b>US\$</b>          | <b>396</b>                                  | <b>362</b>     | <b>405</b>          | <b>442</b>         | <b>442</b>                                  | <b>394</b>      | <b>380</b>     | <b>419</b>          | <b>427</b>         | <b>427</b>        |
| Net operating revenues                   | US\$                 | 84  | 99             | 104                 | 114                | 401   | 62              | 78             | 89                  | 96                 | 325               |
| Cost of products                         | US\$                 | (40)  | (49)           | (52)                | (63)               | (204)                                       | (29)            | (38)           | (39)                | (46)               | (152)             |
| Other expenses/revenues                  | US\$                 | (1)   | (1)            | (6)                 | (5)                | (13)  | (1)             | 1              | (4)                 |                    | (4)               |
| Depreciation, amortization and depletion | US\$                 | 13  | 13             | 14                  | 13                 | 53  | 13              | 14             | 7                   | 20                 | 54                |
| <b>EBITDA</b>                            | <b>US\$</b>          | <b>&gt;56</b>                               | <b>62</b>      | <b>60</b>           | <b>59</b>          | <b>237</b>                                  | <b>45</b>       | <b>55</b>      | <b>53</b>           | <b>70</b>          | <b>223</b>        |
| Depreciation, amortization and depletion | US\$                 | (13)  | (13)           | (14)                | (13)               | (53)  | (13)            | (14)           | (7)                 | (20)               | (54)              |



|   |        |           |           |           |           |            |           |           |           |           |            |
|---|--------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|------------|
| <b>EBIT</b>   | US\$ > | <b>43</b> | <b>49</b> | <b>46</b> | <b>46</b> | <b>184</b> | <b>32</b> | <b>41</b> | <b>46</b> | <b>50</b> | <b>169</b> |
| Net financial result  | US\$   | (1)       | (2)       | 3         | (2)       | (2)        | (2)       | (1)       | (2)       | (5)       | (10)       |
| <b>Income before<br/>income tax and<br/>social<br/>contribution</b> | US\$   | <b>42</b> | <b>47</b> | <b>49</b> | <b>44</b> | <b>182</b> | <b>30</b> | <b>40</b> | <b>44</b> | <b>45</b> | <b>159</b> |
| Income tax and<br>social contribution                               | US\$   | (4)       | (5)       | (6)       | (7)       | (22)       | (4)       | (4)       | (4)       | (5)       | (17)       |
| <b>Net income</b>   | US\$   | <b>38</b> | <b>42</b> | <b>43</b> | <b>37</b> | <b>160</b> | <b>26</b> | <b>36</b> | <b>40</b> | <b>40</b> | <b>142</b> |

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| Information                              | Aluminum Area        | Albras (Additional information Unaudited) |                 |                 |                 | Consolidated Subsidiary |                                      |                 |                 |                 |                 |
|--|----------------------|---|-----------------|-----------------|-----------------|-------------------------|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|  |                      | As of and for the three-months ended      |                 |                 |                 | 2005                    | As of and for the three-months ended |                 |                 |                 | 200             |
|  |                      | March 31                                  | June 30         | September 30    | December 31     | Total                   | March 31                             | June 30         | September 30    | December 31     | Total           |
| Quantity sold external market (thousand) | MT                   | 104                                       | 106             | 106             | 110             | 426                     | 94                                   | 115             | 96              | 108             | 413             |
| Quantity sold external market (thousand) | MT                   | 5   | 4               | 6               | 6               | 21                      | 3                                    | 4               | 5               | 5               | 18              |
| <b>Quantity sold total</b>               | <b>MT (thousand)</b> | <b>109</b>                                | <b>110</b>      | <b>112</b>      | <b>116</b>      | <b>447</b>              | <b>97</b>                            | <b>119</b>      | <b>101</b>      | <b>113</b>      | <b>431</b>      |
| Average sales price external market      | US\$                 | 1,787.71                                  | 1,819.42        | 1,754.44        | 1,844.43        | 1,801.97                | 1,565.46                             | 1,626.62        | 1,644.42        | 1,728.79        | 1,643.55        |
| Average sales price internal market      | US\$                 | 1,860.15                                  | 1,874.87        | 1,588.67        | 1,310.50        | 1,628.35                | 1,618.11                             | 1,660.01        | 1,700.23        | 1,787.36        | 1,701.95        |
| <b>Average sales price total</b>         | <b>US\$</b>          | <b>1,790.92</b>                           | <b>1,821.74</b> | <b>1,745.56</b> | <b>1,816.81</b> | <b>1,793.81</b>         | <b>1,567.28</b>                      | <b>1,627.72</b> | <b>1,647.09</b> | <b>1,731.32</b> | <b>1,645.85</b> |
| Long-term debt, gross                    | US\$                 | 172                                       | 152             | 132             | 237             | 237                     | 319                                  | 264             | 244             | 202             | 200             |
| Short-term debt, gross                   | US\$                 | 23  | 142             | 190             | 172             | 172                     |                                      |                 |                 |                 |                 |
| <b>Total debt, gross</b>                 | <b>US\$</b>          | <b>195</b>                                | <b>294</b>      | <b>322</b>      | <b>409</b>      | <b>409</b>              | <b>319</b>                           | <b>264</b>      | <b>244</b>      | <b>202</b>      | <b>200</b>      |
| Equity                                   | US\$                 | 379                                       | 474             | 494             | 455             | 455                     | 226                                  | 273             | 327             | 381             | 381             |
| Net operating revenues                   | US\$                 | 195                                       | 199             | 196             | 213             | 803                     | 153                                  | 193             | 166             | 195             | 703             |
| Cost of products                         | US\$                 | (131)                                     | (139)           | (139)           | (152)           | (561)                   | (88)                                 | (112)           | (97)            | (138)           | (437)           |
| Depreciation, amortization and depletion | US\$                 | (10)                                      | (8)             | (10)            | (14)            | (42)                    | (11)                                 | (7)             | (5)             | (13)            | (33)            |
| <b>EBITDA</b>                            | <b>US\$</b>          | <b>58</b>                                 | <b>57</b>       | <b>59</b>       | <b>52</b>       | <b>226</b>              | <b>58</b>                            | <b>77</b>       | <b>67</b>       | <b>48</b>       | <b>233</b>      |
| Depreciation, amortization and depletion | US\$                 | (4)                                       | (5)             | (12)            | (5)             | (26)                    | (4)                                  | (3)             | (3)             | (4)             | (19)            |

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|   |      |   |           |            |            |             |            |           |           |           |             |           |
|---|------|---|-----------|------------|------------|-------------|------------|-----------|-----------|-----------|-------------|-----------|
| Net income (loss) before income tax and social contribution | US\$ | > | <b>54</b> | <b>52</b>  | <b>47</b>  | <b>47</b>   | <b>200</b> | <b>54</b> | <b>74</b> | <b>64</b> | <b>44</b>   | <b>23</b> |
| Provision for income tax and social contribution            | US\$ |   |           |            |            |             |            | (1)       |           |           |             |           |
| Net financial result  | US\$ |   | (2)       | 86         | (42)       | (102)       | (60)       | (35)      | (18)      | (18)      | (56)        | (12)      |
| Net income (loss) before income tax and social contribution | US\$ |   | <b>52</b> | <b>138</b> | <b>5</b>   | <b>(55)</b> | <b>140</b> | <b>18</b> | <b>56</b> | <b>46</b> | <b>(12)</b> | <b>10</b> |
| Provision for income tax and social contribution            | US\$ |   | (32)      | (17)       | (12)       | 38          | (23)       | (11)      | 8         | (11)      | 40          | 2         |
| Net income (loss)   | US\$ |   | <b>20</b> | <b>121</b> | <b>(7)</b> | <b>(17)</b> | <b>117</b> | <b>7</b>  | <b>64</b> | <b>35</b> | <b>28</b>   | <b>13</b> |

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| Aluminum Area                                 | Alunorte (Additional information | Unaudited)                           |               |               |               | Consolidated Subsidiary |                                      |               |               |               |
|---|----------------------------------|--------------------------------------|---------------|---------------|---------------|-------------------------|--------------------------------------|---------------|---------------|---------------|
|   |                                  | As of and for the three-months ended |               |               |               | 2005                    | As of and for the three-months ended |               |               |               |
| Information                                   | March                            | June                                 | September     | December      | Total         | March                   | June                                 | September     | December      | Total         |
|   | 31                               | 30                                   | 30            | 31            |               | 31                      | 30                                   | 30            | 31            |               |
| Quantity sold external market (thousand) MT   | 395                              | 366                                  | 404           | 393           | 1,558         | 439                     | 343                                  | 487           | 414           | 1,683         |
| Quantity sold internal market (thousand) MT   | 263                              | 249                                  | 271           | 246           | 1,029         | 231                     | 212                                  | 216           | 218           | 877           |
| <b>Quantity sold total</b> (thousand) MT      | <b>658</b>                       | <b>615</b>                           | <b>675</b>    | <b>639</b>    | <b>2,587</b>  | <b>670</b>              | <b>555</b>                           | <b>703</b>    | <b>632</b>    | <b>2,560</b>  |
| Average sales price external market US\$      | 244.47                           | 249.98                               | 239.25        | 261.44        | 248.69        | 204.29                  | 234.99                               | 225.85        | 230.49        | 223.23        |
| Average sales price internal market US\$      | 231.66                           | 234.08                               | 204.17        | 219.59        | 222.12        | 207.14                  | 210.68                               | 206.77        | 221.70        | 211.52        |
| <b>Average sales price total</b> US\$         | <b>239.35</b>                    | <b>241.38</b>                        | <b>225.17</b> | <b>245.33</b> | <b>237.61</b> | <b>205.30</b>           | <b>225.71</b>                        | <b>222.76</b> | <b>227.46</b> | <b>219.99</b> |
| Long-term indebtedness, gross US\$            | 464                              | 454                                  | 546           | 582           | 582           | 361                     | 351                                  | 334           | 402           | 402           |
| Short-term indebtedness, gross US\$           | 33                               |                                      | 34            | 1             | 1             | 90                      | 64                                   | 58            | 9             | 9             |
| <b>Total indebtedness, gross</b> US\$         | <b>497</b>                       | <b>454</b>                           | <b>580</b>    | <b>583</b>    | <b>583</b>    | <b>451</b>              | <b>415</b>                           | <b>392</b>    | <b>411</b>    | <b>411</b>    |
| <b>Stockholders equity</b> US\$               | <b>592</b>                       | <b>810</b>                           | <b>890</b>    | <b>855</b>    | <b>855</b>    | <b>278</b>              | <b>346</b>                           | <b>439</b>    | <b>551</b>    | <b>551</b>    |
| Net operating revenues US\$                   | 152                              | 142                                  | 152           | 157           | 603           | 133                     | 122                                  | 150           | 140           | 545           |
| Cost of products US\$                         | (91)                             | (99)                                 | (117)         | (119)         | (426)         | (83)                    | (71)                                 | (96)          | (86)          | (336)         |
| Other expenses/revenues US\$                  | (5)                              | (3)                                  | (2)           | 2             | (8)           | (2)                     | (2)                                  | (2)           | (5)           | (11)          |
| Depreciation, amortization and depletion US\$ | 6                                | 6                                    | 7             | 6             | 25            | 4                       | 5                                    | 5             | 5             | 19            |
| <b>EBITDA</b> US\$                            | <b>62</b>                        | <b>46</b>                            | <b>40</b>     | <b>46</b>     | <b>194</b>    | <b>52</b>               | <b>54</b>                            | <b>57</b>     | <b>54</b>     | <b>217</b>    |
| Depreciation, amortization and depletion US\$ | (6)                              | (6)                                  | (7)           | (6)           | (25)          | (4)                     | (5)                                  | (5)           | (5)           | (19)          |

|                          |      |      |      |      |      |      |      |      |      |     |      |
|--------------------------|------|------|------|------|------|------|------|------|------|-----|------|
| <b>EBIT</b>              | US\$ | > 56 | 40   | 33   | 40   | 169  | 48   | 49   | 52   | 49  | 198  |
| Net financial result     | US\$ | (7)  | 75   | 13   | (71) | 10   | (29) | (30) | 20   | 2   | (37) |
| <b>Income</b>            |      |      |      |      |      |      |      |      |      |     |      |
| <b>(loss) before</b>     |      |      |      |      |      |      |      |      |      |     |      |
| <b>income tax and</b>    |      |      |      |      |      |      |      |      |      |     |      |
| <b>social</b>            |      |      |      |      |      |      |      |      |      |     |      |
| <b>contribution</b>      | US\$ | 49   | 115  | 46   | (31) | 179  | 19   | 19   | 72   | 51  | 161  |
| Income tax and           |      |      |      |      |      |      |      |      |      |     |      |
| social contribution      | US\$ | (6)  | (23) | (12) | 9    | (32) | 2    | 20   | (10) | (7) | 5    |
| <b>Net income (loss)</b> | US\$ | 43   | 92   | 34   | (22) | 147  | 21   | 39   | 62   | 44  | 166  |

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| Information                              |                  | 2005         |   |                 |                |              | 2004                                    |                 |                |              |              |
|--|------------------|--------------|---|-----------------|----------------|--------------|---|-----------------|----------------|--------------|--------------|
|  |                  | March<br>31  | As of and for the<br>three-months ended |                 |                | March<br>31  | As of and for the<br>three-months ended |                 |                | Total        |              |
|  |                  |              | June<br>30                              | September<br>30 | December<br>31 |              | June<br>30                              | September<br>30 | December<br>31 |              |              |
| Quantity sold external market            | MT<br>(thousand) | 597          | 980                                     | 782             | 829            | 3,188        | 617                                     | 437             | 852            | 549          | 2,455        |
| Quantity sold internal market            | MT<br>(thousand) | 662          | 329                                     | 400             | 310            | 1,701        | 623                                     | 460             | 320            | 544          | 1,947        |
| <b>Quantity sold total</b>               | MT<br>(thousand) | <b>1,259</b> | <b>1,309</b>                            | <b>1,182</b>    | <b>1,139</b>   | <b>4,889</b> | <b>1,240</b>                            | <b>897</b>      | <b>1,172</b>   | <b>1,093</b> | <b>4,402</b> |
| Average sales price external market      | US\$             | 38.08        | 71.48                                   | 75.54           | 73.27          | 66.69        | 34.27                                   | 38.04           | 37.94          | 38.20        | 37.09        |
| Average sales price internal market      | US\$             | 39.32        | 73.80                                   | 71.98           | 72.85          | 59.78        | 33.26                                   | 39.59           | 38.96          | 39.36        | 37.40        |
| <b>Average sales price total</b>         | US\$             | <b>38.73</b> | <b>72.26</b>                            | <b>74.34</b>    | <b>73.16</b>   | <b>64.34</b> | <b>33.76</b>                            | <b>38.84</b>    | <b>38.22</b>   | <b>38.77</b> | <b>37.24</b> |
| Long-term indebtedness, gross            | US\$             | 87           | 70                                      | 49              | 27             | 27           | 97                                      | 92              | 87             | 83           | 83           |
| <b>Total indebtedness, gross</b>         | US\$             | <b>87</b>    | <b>70</b>                               | <b>49</b>       | <b>27</b>      | <b>27</b>    | <b>97</b>                               | <b>92</b>       | <b>87</b>      | <b>83</b>    | <b>83</b>    |
| <b>Stockholders equity</b>               | US\$             | <b>31</b>    | <b>62</b>                               | <b>74</b>       | <b>82</b>      | <b>82</b>    | <b>4</b>                                | <b>4</b>        | <b>15</b>      | <b>25</b>    | <b>25</b>    |
| Net operating revenues                   | US\$             | 48           | 95                                      | 88              | 83             | 314          | 42                                      | 35              | 45             | 42           | 164          |
| Cost of products                         | US\$             | (36)         | (61)                                    | (61)            | (60)           | (218)        | (37)                                    | (30)            | (36)           | (34)         | (137)        |
| Other expenses/revenues                  | US\$             | (1)          | (3)                                     | (12)            |                | (16)         | 1                                       | 3               | (2)            | (1)          | 1            |
| Depreciation, amortization and depletion | US\$             | 1            | 1                                       | 1               | 1              | 4            | 1                                       | 1               | 1              | 1            | 4            |
| <b>EBITDA</b>                            | > US\$           | <b>12</b>    | <b>32</b>                               | <b>16</b>       | <b>24</b>      | <b>84</b>    | <b>7</b>                                | <b>9</b>        | <b>8</b>       | <b>8</b>     | <b>32</b>    |
|  | US\$             | (1)          | (1)                                     | (1)             | (1)            | (4)          | (1)                                     | (1)             | (1)            | (1)          | (4)          |

Depreciation,  
amortization and  
depletion

|  |        |           |           |           |           |           |          |          |           |           |           |
|--|--------|-----------|-----------|-----------|-----------|-----------|----------|----------|-----------|-----------|-----------|
| <b>EBIT</b>  | > US\$ | <b>11</b> | <b>31</b> | <b>15</b> | <b>23</b> | <b>80</b> | <b>6</b> | <b>8</b> | <b>7</b>  | <b>7</b>  | <b>28</b> |
| Net financial result   | US\$   | (2)       | 10        | 2         | (3)       | 7         | (1)      | (7)      | 7         | 6         | 5         |
| <b>Income<br/>(loss) before<br/>income tax and<br/>social<br/>contribution</b> | US\$   | <b>9</b>  | <b>41</b> | <b>17</b> | <b>20</b> | <b>87</b> | <b>5</b> | <b>1</b> | <b>14</b> | <b>13</b> | <b>33</b> |
| Income tax and<br>social contribution  | US\$   | (3)       | (14)      | (10)      | (7)       | (34)      | (2)      |          | (5)       | (5)       | (12)      |
| <b>Net income (loss)</b>   | US\$   | <b>6</b>  | <b>27</b> | <b>7</b>  | <b>13</b> | <b>53</b> | <b>3</b> | <b>1</b> | <b>9</b>  | <b>8</b>  | <b>21</b> |

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**Table of Contents****Pelletizing Affiliates Hispanobras (Additional information Unaudited)**

| Information                              |               | 2005         |              |                 |                |              | 2004         |              |                 |                |              |
|--|---------------|--------------|--------------|-----------------|----------------|--------------|--------------|--------------|-----------------|----------------|--------------|
|  |               | March<br>31  | June<br>30   | September<br>30 | December<br>31 | Total        | March<br>31  | June<br>30   | September<br>30 | December<br>31 | Total        |
| Quantity sold external market            | MT (thousand) | 500          | 459          | 320             | 331            | 1,610        | 425          | 99           | 246             | 442            | 1,212        |
| Quantity sold internal market            | MT (thousand) | 620          | 550          | 730             | 685            | 2,585        | 460          | 790          | 795             | 675            | 2,720        |
| <b>Quantity sold total</b>               | MT (thousand) | <b>1,120</b> | <b>1,009</b> | <b>1,050</b>    | <b>1,016</b>   | <b>4,195</b> | <b>885</b>   | <b>889</b>   | <b>1,041</b>    | <b>1,117</b>   | <b>3,932</b> |
| Average sales price external market      | US\$          | 38.46        | 69.35        | 72.19           | 71.87          | 60.84        | 32.48        | 57.40        | 38.57           | 39.18          | 38.20        |
| Average sales price internal market      | US\$          | 38.43        | 50.85        | 74.00           | 73.14          | 60.32        | 31.18        | 42.37        | 37.67           | 38.62          | 38.17        |
| <b>Average sales price total</b>         | US\$          | <b>38.45</b> | <b>59.27</b> | <b>73.45</b>    | <b>72.73</b>   | <b>60.52</b> | <b>31.83</b> | <b>44.04</b> | <b>37.88</b>    | <b>38.84</b>   | <b>38.18</b> |
| <b>Stockholders equity</b>               | US\$          | <b>51</b>    | <b>82</b>    | <b>68</b>       | <b>73</b>      | <b>73</b>    | <b>33</b>    | <b>37</b>    | <b>43</b>       | <b>50</b>      | <b>50</b>    |
| Net operating revenues                   | US\$          | 43           | 108          | 76              | 75             | 302          | 28           | 40           | 40              | 43             | 151          |
| Cost of products                         | US\$          | (34)         | (62)         | (51)            | (59)           | (206)        | (27)         | (31)         | (32)            | (38)           | (128)        |
| Other expenses/revenues                  | US\$          | (2)          |              | (1)             | (3)            | (6)          | 1            | 1            |                 | 3              | 5            |
| Depreciation, amortization and depletion | US\$          | 1            | 1            |                 |                | 2            | 1            |              |                 | 2              | 3            |
| <b>EBITDA</b>                            | US\$ >        | <b>8</b>     | <b>47</b>    | <b>24</b>       | <b>13</b>      | <b>92</b>    | <b>3</b>     | <b>10</b>    | <b>8</b>        | <b>10</b>      | <b>31</b>    |
| Depreciation, amortization and depletion | US\$          | (1)          | (1)          |                 |                | (2)          | (1)          |              |                 | (2)            | (3)          |
| <b>EBIT</b>                              | US\$ >        | <b>7</b>     | <b>46</b>    | <b>24</b>       | <b>13</b>      | <b>90</b>    | <b>2</b>     | <b>10</b>    | <b>8</b>        | <b>8</b>       | <b>28</b>    |
| Net financial result                     | US\$          |              | (3)          | (1)             |                | (4)          |              |              | (2)             | (1)            | (3)          |



|  |             |          |           |           |           |           |          |           |          |          |           |
|--|-------------|----------|-----------|-----------|-----------|-----------|----------|-----------|----------|----------|-----------|
| <b>Income (loss) before income tax and social contribution</b> | <b>US\$</b> | <b>7</b> | <b>43</b> | <b>23</b> | <b>13</b> | <b>86</b> | <b>2</b> | <b>10</b> | <b>6</b> | <b>7</b> | <b>25</b> |
| Income tax and social contribution                             | US\$        | (3)      | (15)      | (8)       | (5)       | (31)      | (1)      | (3)       | (2)      | (2)      | (8)       |
| <b>Net income</b>  | <b>US\$</b> | <b>4</b> | <b>28</b> | <b>15</b> | <b>8</b>  | <b>55</b> | <b>1</b> | <b>7</b>  | <b>4</b> | <b>5</b> | <b>17</b> |

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**Table of Contents****Pelletizing Affiliates Itabrasco (Additional information Unaudited)**

| Information                              |                  | 2005         |   |                 |                |              | 2004         |   |                 |                |              |
|--|------------------|--------------|---|-----------------|----------------|--------------|--------------|---|-----------------|----------------|--------------|
|  |                  | March<br>31  | As of and for the<br>three-months ended |                 |                | Total        | March<br>31  | As of and for the<br>three-months ended |                 |                | Total        |
|  |                  |              | June<br>30                              | September<br>30 | December<br>31 |              |              | June<br>30                              | September<br>30 | December<br>31 |              |
| Quantity sold external market            | MT<br>(thousand) | 769          | 730                                     | 670             | 688            | 2,857        | 762          | 903                                     | 486             | 674            | 2,825        |
| Quantity sold internal market            | MT<br>(thousand) | 176          | 230                                     | 340             | 189            | 935          |              | 105                                     | 260             | 407            | 772          |
| <b>Quantity sold total</b>               | MT<br>(thousand) | <b>945</b>   | <b>960</b>                              | <b>1,010</b>    | <b>877</b>     | <b>3,792</b> | <b>762</b>   | <b>1,008</b>                            | <b>746</b>      | <b>1,081</b>   | <b>3,597</b> |
| Average sales price external market      | US\$             | 39.14        | 71.97                                   | 73.16           | 73.70          | 63.83        | 32.84        | 43.39                                   | 39.02           | 39.15          | 38.78        |
| Average sales price internal market      | US\$             | 39.40        | 73.27                                   | 73.78           | 73.57          | 67.14        |              | 38.29                                   | 39.33           | 39.28          | 39.16        |
| <b>Average sales price total</b>         | US\$             | <b>39.18</b> | <b>72.29</b>                            | <b>73.37</b>    | <b>73.67</b>   | <b>64.65</b> | <b>32.84</b> | <b>42.86</b>                            | <b>39.13</b>    | <b>39.20</b>   | <b>38.86</b> |
| Short-term indebtedness, gross           | US\$             | 4            | 9                                       |                 |                |              | 1            | 8                                       | 1               |                |              |
| <b>Total indebtedness, gross</b>         | US\$             | <b>4</b>     | <b>9</b>                                |                 |                |              | <b>1</b>     | <b>8</b>                                | <b>1</b>        |                |              |
| <b>Stockholders equity</b>               | US\$             | <b>37</b>    | <b>69</b>                               | <b>63</b>       | <b>65</b>      | <b>65</b>    | <b>23</b>    | <b>26</b>                               | <b>30</b>       | <b>36</b>      | <b>36</b>    |
| Net operating revenues                   | US\$             | 37           | 101                                     | 65              | 59             | 262          | 25           | 43                                      | 29              | 43             | 140          |
| Cost of products                         | US\$             | (31)         | (59)                                    | (45)            | (50)           | (185)        | (24)         | (35)                                    | (25)            | (36)           | (120)        |
| Other expenses/revenues                  | US\$             | (2)          | (1)                                     | (3)             | (1)            | (7)          |              |   |                 | (3)            | (3)          |
| Depreciation, amortization and depletion | US\$             |              | (1)                                     |                 |                | (1)          |              |   |                 |                |              |
| <b>EBITDA</b>                            | US\$             | <b>4</b>     | <b>40</b>                               | <b>17</b>       | <b>8</b>       | <b>69</b>    | <b>1</b>     | <b>8</b>                                | <b>4</b>        | <b>4</b>       | <b>17</b>    |

|   |      |          |           |           |          |           |          |          |          |          |           |
|---|------|----------|-----------|-----------|----------|-----------|----------|----------|----------|----------|-----------|
| Depreciation,<br>amortization and<br>depletion                      | US\$ |          | 1         |           |          | 1         |          |          |          |          |           |
| <b>EBIT</b>   | US\$ | <b>4</b> | <b>41</b> | <b>17</b> | <b>8</b> | <b>70</b> | <b>1</b> | <b>8</b> | <b>4</b> | <b>4</b> | <b>17</b> |
| Net financial result  | US\$ |          |           | (3)       |          | (3)       |          |          |          |          |           |
| <b>Income before<br/>income tax and<br/>social<br/>contribution</b> | US\$ | <b>4</b> | <b>41</b> | <b>14</b> | <b>8</b> | <b>67</b> | <b>1</b> | <b>8</b> | <b>4</b> | <b>4</b> | <b>17</b> |
| Income tax and<br>social contribution                               | US\$ | (3)      | (13)      | (6)       | (3)      | (25)      |          | (3)      | (1)      | (1)      | (5)       |
| <b>Net income</b>   | US\$ | <b>1</b> | <b>28</b> | <b>8</b>  | <b>5</b> | <b>42</b> | <b>1</b> | <b>5</b> | <b>3</b> | <b>3</b> | <b>12</b> |

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**Table of Contents****Pelletizing Affiliates Nibrasco (Additional information Unaudited)**

| Information                          |               | 2005                                 |              |              |              |              | 2004                                 |              |              |              |              |
|--------------------------------------|---------------|--------------------------------------|--------------|--------------|--------------|--------------|--------------------------------------|--------------|--------------|--------------|--------------|
|                                      |               | As of and for the three-months ended |              |              |              | Total        | As of and for the three-months ended |              |              |              | Total        |
|                                      |               | March 31                             | June 30      | September 30 | December 31  |              | March 31                             | June 30      | September 30 | December 31  |              |
| Quantity sold external market        | MT (thousand) | 675                                  | 627          | 827          | 807          | 2,936        | 563                                  | 803          | 776          | 833          | 2,975        |
| Quantity sold internal market CVRD   | MT (thousand) | 996                                  | 1,149        | 1,000        | 1,289        | 4,434        | 1,327                                | 903          | 899          | 779          | 3,908        |
| Quantity sold internal market Others | MT (thousand) | 35                                   | 34           | 35           | 34           | 138          | 33                                   | 33           | 31           | 30           | 127          |
| <b>Quantity sold total</b>           | MT (thousand) | <b>1,706</b>                         | <b>1,810</b> | <b>1,862</b> | <b>2,130</b> | <b>7,508</b> | <b>1,923</b>                         | <b>1,739</b> | <b>1,706</b> | <b>1,642</b> | <b>7,010</b> |
| Average sales price external market  | US\$          | 37.13                                | 64.94        | 86.42        | 80.36        | 68.84        | 31.45                                | 34.49        | 40.37        | 36.40        | 35.98        |
| Average sales price internal market  | US\$          | 37.77                                | 68.70        | 106.16       | 70.54        | 70.74        | 31.51                                | 35.96        | 37.51        | 37.40        | 35.09        |
| <b>Average sales price total</b>     | US\$          | <b>37.51</b>                         | <b>67.39</b> | <b>97.22</b> | <b>73.13</b> | <b>69.63</b> | <b>31.49</b>                         | <b>33.23</b> | <b>38.84</b> | <b>36.90</b> | <b>34.98</b> |
| Long-term indebtedness, gross        | US\$          | 4                                    | 4            | 4            | 3            | 3            |                                      |              | 3            | 4            | 4            |
| Short-term indebtedness, gross       | US\$          |                                      |              |              |              |              | 1                                    |              |              |              |              |
| <b>Total indebtedness, gross</b>     | US\$          | <b>4</b>                             | <b>4</b>     | <b>4</b>     | <b>3</b>     | <b>3</b>     | <b>1</b>                             |              | <b>3</b>     | <b>4</b>     | <b>4</b>     |
| <b>Stockholders equity</b>           | US\$          | <b>65</b>                            | <b>67</b>    | <b>94</b>    | <b>118</b>   | <b>118</b>   | <b>40</b>                            | <b>41</b>    | <b>50</b>    | <b>60</b>    | <b>60</b>    |
| Net operating revenues               | US\$          | 69                                   | 134          | 132          | 169          | 504          | 65                                   | 66           | 73           | 67           | 271          |
| Cost of products                     | US\$          | (59)                                 | (96)         | (88)         | (121)        | (364)        | (59)                                 | (57)         | (62)         | (51)         | (229)        |
|                                      | US\$          | (1)                                  | (2)          | (6)          | (5)          | (14)         | 2                                    | 4            | (2)          | (9)          | (5)          |

|  |        |           |           |           |           |            |          |           |          |           |           |
|--|--------|-----------|-----------|-----------|-----------|------------|----------|-----------|----------|-----------|-----------|
| Other expenses/revenues  |        |           |           |           |           |            |          |           |          |           |           |
| Depreciation, amortization and depletion                       | US\$   | 1         | 1         |           | 1         | 3          | 1        | 1         |          | 1         | 3         |
| <b>EBITDA</b>  | US\$ > | <b>10</b> | <b>37</b> | <b>38</b> | <b>44</b> | <b>129</b> | <b>9</b> | <b>14</b> | <b>9</b> | <b>8</b>  | <b>40</b> |
| Depreciation, amortization and depletion                       | US\$   | (1)       | (1)       |           | (1)       | (3)        | (1)      | (1)       |          | (1)       | (3)       |
| <b>EBIT</b>  | US\$   | <b>9</b>  | <b>36</b> | <b>38</b> | <b>43</b> | <b>126</b> | <b>8</b> | <b>13</b> | <b>9</b> | <b>7</b>  | <b>37</b> |
| Impairment   | US\$   |           |           |           |           |            |          |           |          |           |           |
| Net financial result   | US\$   |           | (1)       | (4)       |           | (5)        |          |           | (1)      | 3         | 2         |
| <b>Income (loss) before income tax and social contribution</b> | US\$   | <b>9</b>  | <b>35</b> | <b>34</b> | <b>43</b> | <b>121</b> | <b>8</b> | <b>13</b> | <b>8</b> | <b>10</b> | <b>39</b> |
| Income tax and social contribution                             | US\$   | (4)       | (12)      | (12)      | (16)      | (44)       | (3)      | (4)       | (3)      | (4)       | (14)      |
| <b>Net income (loss)</b>                                       | US\$   | <b>5</b>  | <b>23</b> | <b>22</b> | <b>27</b> | <b>77</b>  | <b>5</b> | <b>9</b>  | <b>5</b> | <b>6</b>  | <b>25</b> |

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**Table of Contents****Pelletizing Affiliates Samarco (Additional information Unaudited)**

| Information                              |               | As of and for the three-months ended |            |              |             | 2005       |            |            |              |             | 2004       |
|--|---------------|--------------------------------------|------------|--------------|-------------|------------|------------|------------|--------------|-------------|------------|
|  |               | March 31                             | June 30    | September 30 | December 31 | Total      | March 31   | June 30    | September 30 | December 31 | Total      |
| Quantity sold Pellets                    | MT (thousand) | 3,297                                | 3,024      | 3,666        | 4,089       | 14,076     | 3,462      | 3,177      | 3,264        | 3,918       | 13,821     |
| Quantity sold Iron ore                   | MT (thousand) | 239                                  | 431        | 407          | 330         | 1,407      | 497        | 471        | 688          | 367         | 2,023      |
| Average sales price Pellets              | US\$          | 43.88                                | 76.50      | 80.98        | 79.60       | 70.93      | 39.31      | 39.11      | 38.89        | 40.62       | 39.54      |
| Average sales price Iron ore             | US\$          | 31.04                                | 32.18      | 38.68        | 37.23       | 35.05      | 16.88      | 19.66      | 21.78        | 21.28       | 19.99      |
| Long-term indebtedness, gross            | US\$          | 52                                   | 42         | 41           | 39          | 39         | 21         | 46         | 42           | 58          | 58         |
| Short-term indebtedness, gross           | US\$          | 156                                  | 140        | 156          | 299         | 299        | 174        | 153        | 139          | 141         | 141        |
| <b>Total indebtedness, gross</b>         | US\$          | <b>208</b>                           | <b>182</b> | <b>197</b>   | <b>338</b>  | <b>338</b> | <b>195</b> | <b>199</b> | <b>181</b>   | <b>199</b>  | <b>199</b> |
| <b>Stockholders equity</b>               | US\$          | <b>468</b>                           | <b>588</b> | <b>632</b>   | <b>576</b>  | <b>576</b> | <b>379</b> | <b>331</b> | <b>394</b>   | <b>441</b>  | <b>441</b> |
| Net operating revenues                   | US\$          | 154                                  | 226        | 319          | 333         | 1,032      | 129        | 132        | 142          | 162         | 565        |
| Cost of products                         | US\$          | (65)                                 | (68)       | (98)         | (113)       | (344)      | (59)       | (53)       | (60)         | (71)        | (243)      |
| Other expenses/revenues                  | US\$          | (7)                                  | (29)       | (21)         | (8)         | (65)       | (11)       | (15)       | (14)         | (19)        | (59)       |
| Depreciation, amortization and depletion | US\$          | 7                                    | 7          | 8            | 8           | 30         | 6          | 6          | 7            | 7           | 26         |
| <b>EBITDA</b>                            | US\$ >        | <b>89</b>                            | <b>136</b> | <b>208</b>   | <b>220</b>  | <b>653</b> | <b>65</b>  | <b>70</b>  | <b>75</b>    | <b>79</b>   | <b>289</b> |
| Depreciation, amortization and depletion | US\$          | (7)                                  | (7)        | (8)          | (8)         | (30)       | (6)        | (6)        | (7)          | (7)         | (26)       |
| <b>EBIT</b>                              | US\$ >        | <b>82</b>                            | <b>129</b> | <b>200</b>   | <b>212</b>  | <b>623</b> | <b>59</b>  | <b>64</b>  | <b>68</b>    | <b>72</b>   | <b>263</b> |
| Impairment                               | US\$          | 2                                    | 3          | 4            |             | 9          | 4          | (2)        | 7            | 2           | 11         |

|  |      |           |            |            |            |            |           |           |           |           |            |
|--|------|-----------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|------------|
| Gain on investments accounted for by the equity method         |      |           |            |            |            |            |           |           |           |           |            |
| Net financial result   | US\$ | (2)       | 3          | (9)        | (6)        | (14)       | (2)       | (17)      | 13        |           | (6)        |
| <b>Income (loss) before income tax and social contribution</b> | US\$ | <b>82</b> | <b>135</b> | <b>195</b> | <b>206</b> | <b>618</b> | <b>61</b> | <b>45</b> | <b>88</b> | <b>74</b> | <b>268</b> |
| Income tax and social contribution                             | US\$ | (13)      | (22)       | (33)       | (36)       | (104)      | (10)      | (6)       | (19)      |           | (35)       |
| <b>Net income (loss)</b>                                       | US\$ | <b>69</b> | <b>113</b> | <b>162</b> | <b>170</b> | <b>514</b> | <b>51</b> | <b>39</b> | <b>69</b> | <b>74</b> | <b>233</b> |

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**Table of Contents****Pelletizing Affiliates GIIC (Additional information Unaudited)**

| Information                              |               | As of and for the three-months ended |            |              |             | 2005       |           |           |              |             | 2004      |
|--|---------------|--------------------------------------|------------|--------------|-------------|------------|-----------|-----------|--------------|-------------|-----------|
|  |               | March 31                             | June 30    | September 30 | December 31 | Total      | March 31  | June 30   | September 30 | December 31 | Total     |
| Quantity sold external market            | MT (thousand) | 710                                  | 1,058      | 893          | 932         | 3,593      | 906       | 683       | 1,003        | 1,092       | 3,684     |
| Average sales price external market      | US\$          | 88.06                                | 118.15     | 109.34       | 108.11      | 107.41     | 52.68     | 58.27     | 55.78        | 54.82       | 55.19     |
| Long-term indebtedness, gross            | US\$          | 10                                   | 10         | 5            | 5           | 5          | 20        | 20        | 25           | 25          | 25        |
| <b>Total indebtedness, gross</b>         | US\$          | <b>10</b>                            | <b>10</b>  | <b>5</b>     | <b>5</b>    | <b>5</b>   | <b>20</b> | <b>20</b> | <b>25</b>    | <b>25</b>   | <b>25</b> |
| <b>Stockholders equity</b>               | US\$          | <b>114</b>                           | <b>139</b> | <b>127</b>   | <b>123</b>  | <b>123</b> | <b>76</b> | <b>77</b> | <b>86</b>    | <b>90</b>   | <b>90</b> |
| Net operating revenues                   | US\$          | 62                                   | 125        | 98           | 101         | 386        | 48        | 40        | 55           | 67          | 210       |
| Cost of products                         | US\$          | (38)                                 | (65)       | (55)         | (58)        | (216)      | (36)      | (33)      | (44)         | (49)        | (162)     |
| Other expenses/revenues                  | US\$          | (1)                                  | (13)       | (15)         | (8)         | (37)       | (4)       | (3)       | (3)          | (6)         | (16)      |
| Depreciation, amortization and depletion | US\$          | 1                                    | 1          |              | 1           | 3          | 1         | 1         |              | 1           | 3         |
| <b>EBITDA</b>                            | US\$ >        | <b>24</b>                            | <b>48</b>  | <b>28</b>    | <b>36</b>   | <b>136</b> | <b>9</b>  | <b>5</b>  | <b>8</b>     | <b>13</b>   | <b>35</b> |
| Depreciation, amortization and depletion | US\$          | (1)                                  | (1)        |              | (1)         | (3)        | (1)       | (1)       |              | (1)         | (3)       |
| <b>EBIT</b>                              | US\$ >        | <b>23</b>                            | <b>47</b>  | <b>28</b>    | <b>35</b>   | <b>133</b> | <b>8</b>  | <b>4</b>  | <b>8</b>     | <b>12</b>   | <b>32</b> |
| Net financial result                     | US\$          |                                      |            |              | 1           | 1          |           |           |              |             |           |
| <b>Net income</b>                        | US\$          | <b>23</b>                            | <b>47</b>  | <b>28</b>    | <b>36</b>   | <b>134</b> | <b>8</b>  | <b>4</b>  | <b>8</b>     | <b>12</b>   | <b>32</b> |



**Table of Contents****Manganese and Ferroalloys Area RDM (Additional information Unaudited) Consolidated Subsidiary**

| Information                         |               | 2005  |                 |               |               |               | 2004  |                 |                 |                 |                 |       |
|-------------------------------------|---------------|---|-----------------|---------------|---------------|---------------|---|-----------------|-----------------|-----------------|-----------------|-------|
|                                     |               | As of and for the three-months ended March 31 |                 | September 30  |               | December 31   | As of and for the three-months ended March 31 |                 | September 30    |                 | December 31     | Total |
| Quantity sold external market       | MT            |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Ferroalloys                         | (thousand)    | 34  | 57              | 50            | 32            | 173           | 37  | 31              | 39              | 38              | 145             |       |
| Quantity sold internal market       | MT            |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Ferroalloys                         | (thousand)    | 36  | 41              | 33            | 35            | 145           | 45  | 47              | 40              | 42              | 174             |       |
| <b>Quantity sold total</b>          | MT (thousand) | <b>70</b>                                     | <b>98</b>       | <b>83</b>     | <b>67</b>     | <b>318</b>    | <b>82</b>                                     | <b>78</b>       | <b>79</b>       | <b>80</b>       | <b>319</b>      |       |
| Quantity sold external market       | MT            |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Manganese                           | (thousand)    | 355   | 312             | 419           | 334           | 1,420         | 213   | 350             | 465             | 421             | 1,449           |       |
| Quantity sold internal market       | MT            |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Manganese                           | (thousand)    | 69  | 68              | 76            | 46            | 259           | 72  | 72              | 61              | 78              | 283             |       |
| <b>Quantity sold total</b>          | MT (thousand) | <b>424</b>                                    | <b>380</b>      | <b>495</b>    | <b>380</b>    | <b>1,679</b>  | <b>285</b>                                    | <b>422</b>      | <b>526</b>      | <b>499</b>      | <b>1,732</b>    |       |
| Average sales price external market |               |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Ferroalloys                         | US\$          | 1,477.75                                      | 799.63          | 599.86        | 586.00        | 835.65        | 713.01  | 1,006.84        | 1,151.05        | 1,229.41        | 1,028.98        |       |
| Average sales price internal market |               |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Ferroalloys                         | US\$          | 1,010.90                                      | 1,385.38        | 717.24        | 738.97        | 984.32        | 700.76  | 1,038.88        | 1,484.10        | 1,496.32        | 1,164.20        |       |
| <b>Average sales price total</b>    | US\$          | <b>1,237.52</b>                               | <b>1,049.97</b> | <b>646.53</b> | <b>665.91</b> | <b>905.04</b> | <b>706.34</b>                                 | <b>1,026.72</b> | <b>1,316.89</b> | <b>1,366.98</b> | <b>1,101.56</b> |       |
| Average sales price external market |               |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Manganese                           | US\$          | 71.67   | 79.40           | 78.23         | 75.24         | 76.14         | 44.98   | 48.51           | 56.12           | 72.01           | 57.26           |       |
| Average sales price internal market |               |   |                 |               |               |               |   |                 |                 |                 |                 |       |
| Manganese                           | US\$          | 72.19   | 72.64           | 76.16         | 82.54         | 75.31         | 45.15   | 55.80           | 54.94           | 53.41           | 52.25           |       |

|   |      |                |              |              |              |              |              |              |              |              |              |
|---|------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Average sales price total</b>                        | US\$ | <b>72.10</b>   | <b>73.80</b> | <b>77.91</b> | <b>76.12</b> | <b>75.11</b> | <b>45.02</b> | <b>49.76</b> | <b>55.98</b> | <b>69.10</b> | <b>56.44</b> |
| Long-term indebtedness, gross                           | US\$ | 8              | 48           | 50           | 90           | 90           | 12           | 11           | 12           | 11           | 11           |
| Short-term indebtedness, gross                          | US\$ | 34             |              |              |              |              | 40           | 34           | 33           | 31           | 31           |
| <b>Total indebtedness, gross</b>                        | US\$ | <b>42</b>      | <b>48</b>    | <b>50</b>    | <b>90</b>    | <b>90</b>    | <b>52</b>    | <b>45</b>    | <b>45</b>    | <b>42</b>    | <b>42</b>    |
| <b>Stockholders equity</b>                              | US\$ | <b>362</b>     | <b>295</b>   | <b>310</b>   | <b>270</b>   | <b>270</b>   | <b>218</b>   | <b>234</b>   | <b>302</b>   | <b>349</b>   | <b>349</b>   |
| Net operating revenues                                  | US\$ | 105            | 110          | 92           | 61           | 368          | 62           | 87           | 118          | 128          | 395          |
| Cost of products  | US\$ | (54)           | (73)         | (67)         | (57)         | (251)        | (38)         | (37)         | (46)         | (59)         | (180)        |
| Other expenses/revenues                                 | US\$ | (5)            | (14)         | (25)         | (31)         | (75)         | (10)         | (7)          | (11)         | (28)         | (56)         |
| Depreciation, amortization and depletion                | US\$ | 2              | 3            | 2            | 2            | 9            | 2            | 2            | 1            | 2            | 7            |
| <b>EBITDA</b>   | US\$ | <b>&gt; 48</b> | <b>26</b>    | <b>2</b>     | <b>(25)</b>  | <b>51</b>    | <b>16</b>    | <b>45</b>    | <b>62</b>    | <b>43</b>    | <b>166</b>   |
| Depreciation, amortization and depletion                | US\$ | (2)            | (3)          | (2)          | (2)          | (9)          | (2)          | (2)          | (1)          | (2)          | (7)          |
| <b>EBIT</b>   | US\$ | <b>&gt; 46</b> | <b>23</b>    |              | <b>(27)</b>  | <b>42</b>    | <b>14</b>    | <b>43</b>    | <b>61</b>    | <b>41</b>    | <b>159</b>   |
| Impairment  | US\$ | 1              |              |              |              | 1            |              |              |              | (2)          | (2)          |
| Net financial result                                    | US\$ |                | (11)         | (2)          | 3            | (10)         | 1            | 1            | (4)          | (5)          | (7)          |
| <b>Income before income tax and social contribution</b> | US\$ | <b>47</b>      | <b>12</b>    | <b>(2)</b>   | <b>(24)</b>  | <b>33</b>    | <b>15</b>    | <b>44</b>    | <b>57</b>    | <b>34</b>    | <b>150</b>   |
| Income tax and social contribution                      | US\$ | (12)           | (2)          |              | (2)          | (16)         | (2)          | (14)         | (11)         | (12)         | (39)         |
| <b>Net income</b>                                       | US\$ | <b>35</b>      | <b>10</b>    | <b>(2)</b>   | <b>(26)</b>  | <b>17</b>    | <b>13</b>    | <b>30</b>    | <b>46</b>    | <b>22</b>    | <b>111</b>   |

**Table of Contents****Manganese and Ferroalloys Area Urucum (Additional information Unaudited) Consolidated Subsidiary**

| Information                         | As of and for the three-months ended |                   |              |              |              | As of and for the three-months ended |              |              |              |              |              |
|-------------------------------------|--------------------------------------|-------------------|--------------|--------------|--------------|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                     | 2005                                 |                   | 2004         |              |              | 2005                                 |              | 2004         |              |              |              |
|                                     | March 31                             | June 30           | September 30 | December 31  | Total        | March 31                             | June 30      | September 30 | December 31  | Total        |              |
| Quantity sold external market       | MT                                   |                   |              |              |              |                                      |              |              |              |              |              |
| Iron ore (thousand)                 | 222                                  | 263               | 279          | 198          | 962          | 127                                  | 106          | 254          | 172          | 659          |              |
| Quantity sold internal market       | MT                                   |                   |              |              |              |                                      |              |              |              |              |              |
| Iron ore (thousand)                 | 1                                    |                   | 4            | 17           | 22           |                                      | 3            |              | 46           | 49           |              |
| <b>Quantity sold total</b>          | MT (thousand)                        | <b>223</b>        | <b>263</b>   | <b>283</b>   | <b>215</b>   | <b>984</b>                           | <b>127</b>   | <b>109</b>   | <b>254</b>   | <b>708</b>   |              |
| Quantity sold external market       | MT                                   |                   |              |              |              |                                      |              |              |              |              |              |
| Manganese (thousand)                | 26                                   | 50                | 7            | 38           | 121          | 22                                   | 4            | 39           | 56           | 121          |              |
| Quantity sold internal market       | MT                                   |                   |              |              |              |                                      |              |              |              |              |              |
| Manganese (thousand)                | 64                                   | 48                | 48           | 36           | 196          | 50                                   | 62           | 52           | 50           | 214          |              |
| <b>Quantity sold total</b>          | MT (thousand)                        | <b>90</b>         | <b>98</b>    | <b>55</b>    | <b>74</b>    | <b>317</b>                           | <b>72</b>    | <b>66</b>    | <b>91</b>    | <b>335</b>   |              |
| Quantity sold external market       | MT                                   |                   |              |              |              |                                      |              |              |              |              |              |
| Ferroalloys (thousand)              | 5                                    | 4                 | 2            | 2            | 13           | 4                                    | 4            | 4            | 3            | 15           |              |
| Quantity sold internal market       | MT                                   |                   |              |              |              |                                      |              |              |              |              |              |
| Ferroalloys (thousand)              |                                      |                   | 2            | 4            | 6            | 1                                    |              |              |              | 1            |              |
| <b>Quantity sold total</b>          | MT (thousand)                        | <b>5</b>          | <b>4</b>     | <b>4</b>     | <b>6</b>     | <b>19</b>                            | <b>5</b>     | <b>4</b>     | <b>4</b>     | <b>16</b>    |              |
| Average sales price external market | Iron ore                             | US\$ 17.89        | 32.72        | 34.19        | 32.09        | 29.59                                | 15.05        | 19.09        | 19.18        | 18.45        | 18.18        |
| Average sales price internal market | Iron ore                             | US\$ 2.63         |              | 23.25        | 22.53        | 21.76                                |              | 2.28         |              | 37.13        | 35.00        |
|                                     |                                      | US\$ <b>17.85</b> | <b>32.72</b> | <b>34.04</b> | <b>31.33</b> | <b>29.43</b>                         | <b>15.05</b> | <b>18.63</b> | <b>19.18</b> | <b>22.39</b> | <b>19.34</b> |

**Average sales price total**

Average sales price external market

Manganese US\$ 115.85 98.34 124.86 67.37 93.91 49.84 54.87 45.72 45.33 46.59

Average sales price internal market

Manganese US\$ 72.57 114.52 107.81 111.19 98.57 44.19 47.69 55.82 68.27 53.66

**Average sales price total**US\$ **85.16 106.27 109.98 88.69 96.82 45.92 48.10 51.53 56.10 51.09**

Average sales price external market

Ferroalloys US\$ 918.43 775.24 942.00 798.00 859.47 564.53 863.73 1,285.47 1,227.89 969.24

Average sales price internal market

Ferroalloys US\$ 210.00 622.86 485.24 394.48 394.48

**Average sales price total**US\$ **918.43 775.24 576.00 681.24 741.29 546.44 863.73 1,285.47 1,227.89 938.29**

Long-term

indebtedness, gross US\$ 12 17 19 23 23 3 1 8 8

Short-term

indebtedness, gross US\$ 4 1 1

**Total indebtedness, gross**US\$ **12 17 19 23 23 4 4 2 8 8****Stockholders equity**US\$ **18 17 21 17 17 15 9 14 13 13**

Net operating

revenues US\$ 15 20 19 17 71 7 8 13 15 43

Cost of products US\$ (7) (7) (7) (12) (33) (3) (4) (5) (7) (19)

Other expenses/revenues US\$ (2) (5) (4) (7) (18) (2) (1) (2) (8) (13)

Depreciation, amortization and depletion

US\$ 1 1 (1) (1)

**EBITDA > US\$ 6 8 8 (2) 21 2 3 6 (1) 10**

Depreciation, amortization and depletion

US\$ (1) (1) 1 1

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|   |   |      |          |          |          |            |           |          |          |          |            |           |
|---|---|------|----------|----------|----------|------------|-----------|----------|----------|----------|------------|-----------|
| <b>EBIT</b>   | > | US\$ | <b>6</b> | <b>8</b> | <b>8</b> | <b>(2)</b> | <b>20</b> | <b>2</b> | <b>3</b> | <b>6</b> | <b>11</b>  |           |
| Net financial result  |   | US\$ |          | (3)      | (3)      | 1          | (5)       |          |          | (1)      | (1)        |           |
| <b>Income before<br/>income tax and<br/>social<br/>contribution</b> |   | US\$ | <b>6</b> | <b>5</b> | <b>5</b> | <b>(1)</b> | <b>15</b> | <b>2</b> | <b>3</b> | <b>6</b> | <b>(1)</b> | <b>10</b> |
| Income tax and<br>social contribution                               |   | US\$ | (2)      | (2)      | (2)      | (1)        | (7)       | (1)      | (1)      | (2)      |            | (4)       |
| <b>Net income</b>   |   | US\$ | <b>4</b> | <b>3</b> | <b>3</b> | <b>(2)</b> | <b>8</b>  | <b>1</b> | <b>2</b> | <b>4</b> | <b>(1)</b> | <b>6</b>  |

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**Table of Contents****Manganese and Ferroalloys Area RDME (Additional information Unaudited) Consolidated Subsidiary**

| Information                                     | As of and for the three-months ended |            |           |           |           | 2005      | As of and for the three-months ended |           |           |            | 2004       |
|---|--------------------------------------|------------|-----------|-----------|-----------|-----------|--------------------------------------|-----------|-----------|------------|------------|
|   | March                                | June       | September | December  | Total     | March     | June                                 | September | December  | Total      |            |
|   | 31                                   | 30         | 30        | 31        |           | 31        | 30                                   | 30        | 31        |            |            |
| Quantity sold external market Sinter            | MT (thousand)                        | 47         | 27        | 11        | 25        | 110       | 66                                   | 86        | 88        | 38         | 278        |
| Quantity sold external market Manganese         | MT (thousand)                        | 45         | 6         | 28        | 77        | 156       | 55                                   | 33        | 68        | 15         | 171        |
| Quantity sold external market Ferroalloys       | MT (thousand)                        | 50         | 51        | 38        | 31        | 170       | 64                                   | 41        | 47        | 41         | 193        |
| Average sales price external market Sinter      | US\$                                 | 134.00     | 155.00    | 157.00    | 120.52    | 138.39    | 103.70                               | 108.70    | 95.68     | 118.63     | 104.75     |
| Average sales price external market Manganese   | US\$                                 | 122.00     | 139.00    | 147.93    | 99.97     | 116.43    | 73.22                                | 78.16     | 100.35    | 83.18      | 85.84      |
| Average sales price external market Ferroalloys | US\$                                 | 1,049.00   | 739.00    | 571.87    | 574.13    | 762.75    | 588.12                               | 954.98    | 1,213.38  | 1,295.42   | 968.57     |
| Long-term indebtedness, gross                   | US\$                                 | 3          | 2         | 2         |           |           | 3                                    | 3         | 3         | 3          | 3          |
| Short-term indebtedness, gross                  | US\$                                 |            | 1         |           | 4         | 4         |                                      |           |           |            |            |
| <b>Total indebtedness, gross</b>                | US\$                                 | <b>3</b>   | <b>3</b>  | <b>2</b>  | <b>4</b>  | <b>4</b>  | <b>3</b>                             | <b>3</b>  | <b>3</b>  | <b>3</b>   | <b>3</b>   |
| <b>Stockholders equity</b>                      | US\$                                 | <b>107</b> | <b>98</b> | <b>95</b> | <b>87</b> | <b>87</b> | <b>67</b>                            | <b>67</b> | <b>86</b> | <b>105</b> | <b>105</b> |
| Net operating revenues                          | US\$                                 | 68         | 52        | 36        | 35        | 191       | 51                                   | 55        | 72        | 60         | 238        |
| Cost of products                                | US\$                                 | (57)       | (48)      | (38)      | (36)      | (179)     | (47)                                 | (51)      | (46)      | (44)       | (188)      |
| Other expenses/revenues                         | US\$                                 | (2)        | (4)       | (2)       | (7)       | (15)      | (1)                                  | (3)       | (8)       | (1)        | (13)       |
| Depreciation, amortization and depletion        | US\$                                 | 1          | 1         | 1         | 1         | 4         | 1                                    | 1         | 2         | 1          | 5          |

|   |      |           |          |            |            |            |          |          |           |           |           |
|---|------|-----------|----------|------------|------------|------------|----------|----------|-----------|-----------|-----------|
| <b>EBITDA</b>   | US\$ | <b>10</b> | <b>1</b> | <b>(3)</b> | <b>(7)</b> | <b>1</b>   | <b>4</b> | <b>2</b> | <b>20</b> | <b>16</b> | <b>42</b> |
| Depreciation,<br>amortization and<br>depletion                      | US\$ | (1)       | (1)      | (1)        | (1)        | (4)        | (1)      | (1)      | (2)       | (1)       | (5)       |
| <b>EBIT</b>   | US\$ | <b>9</b>  |          | <b>(4)</b> | <b>(8)</b> | <b>(3)</b> | <b>3</b> | <b>1</b> | <b>18</b> | <b>15</b> | <b>37</b> |
| Net financial result  | US\$ |           |          |            |            |            |          |          |           |           |           |
| <b>Income before<br/>income tax and<br/>social<br/>contribution</b> | US\$ | <b>9</b>  |          | <b>(4)</b> | <b>(8)</b> | <b>(3)</b> | <b>3</b> | <b>1</b> | <b>18</b> | <b>15</b> | <b>37</b> |
| Income tax and<br>social contribution                               | US\$ | (3)       |          | 1          | 1          | (1)        |          |          |           | (5)       | (5)       |
| <b>Net income</b>   | US\$ | <b>6</b>  |          | <b>(3)</b> | <b>(7)</b> | <b>(4)</b> | <b>3</b> | <b>1</b> | <b>18</b> | <b>10</b> | <b>32</b> |

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**Table of Contents****Steel Area CSI (Additional information Unaudited)**

| Information  |      | 2005                                 |            |                 |                | 2005<br>Total | 2004                                 |            |                 |                | 2004<br>Total |
|--|------|--------------------------------------|------------|-----------------|----------------|---------------|--------------------------------------|------------|-----------------|----------------|---------------|
|  |      | As of and for the three-months ended |            |                 |                |               | As of and for the three-months ended |            |                 |                |               |
|  |      | March<br>31                          | June<br>30 | September<br>30 | December<br>31 |               | March<br>31                          | June<br>30 | September<br>30 | December<br>31 |               |
| Quantity sold external market (thousand)                       | MT   | 448                                  | 428        | 459             | 479            | 1,814         | 566                                  | 530        | 558             | 452            | 2,106         |
| Average sales price external market                            | US\$ | 746.28                               | 709.09     | 627.27          | 627.43         | 676.01        | 419.00                               | 539.53     | 694.15          | 748.56         | 592.97        |
| <b>Stockholders equity</b>                                     | US\$ | <b>280</b>                           | <b>324</b> | <b>307</b>      | <b>320</b>     | <b>320</b>    | <b>205</b>                           | <b>232</b> | <b>264</b>      | <b>298</b>     | <b>298</b>    |
| Net operating revenues   | US\$ | 339                                  | 307        | 288             | 300            | 1234          | 233                                  | 288        | 389             | 340            | 1,250         |
| Cost of products / Other expenses                              | US\$ | (291)                                | (284)      | (283)           | (262)          | (1120)        | (226)                                | (234)      | (287)           | (277)          | (1,024)       |
| Other expenses/revenues  | US\$ | (7)                                  | (4)        | (4)             | (8)            | (23)          |                                      |            | (1)             |                | (1)           |
| Depreciation, amortization and depletion                       | US\$ | 7                                    | 6          | 6               | 7              | 26            | 7                                    | 6          | 6               | 6              | 25            |
| <b>EBITDA</b>  | US\$ | <b>48</b>                            | <b>25</b>  | <b>6</b>        | <b>37</b>      | <b>117</b>    | <b>14</b>                            | <b>60</b>  | <b>107</b>      | <b>69</b>      | <b>250</b>    |
| Depreciation, amortization and depletion                       | US\$ | (7)                                  | (6)        | (6)             | (7)            | (26)          | (7)                                  | (6)        | (6)             | (6)            | (25)          |
| <b>EBIT</b>  | US\$ | <b>&gt; 41</b>                       | <b>19</b>  |                 | <b>30</b>      | <b>91</b>     | <b>7</b>                             | <b>54</b>  | <b>101</b>      | <b>63</b>      | <b>225</b>    |
| Net financial result   | US\$ | (3)                                  | (3)        | (3)             | (2)            | (11)          | (5)                                  | (11)       | (18)            | (5)            | (39)          |
| Gain on investments accounted for by the equity method         | US\$ |                                      |            |                 |                |               | (2)                                  | 4          | (5)             | 1              | (2)           |
| <b>Income (loss) before income tax and social contribution</b> | US\$ | <b>38</b>                            | <b>16</b>  | <b>(3)</b>      | <b>28</b>      | <b>80</b>     |                                      | <b>47</b>  | <b>78</b>       | <b>59</b>      | <b>184</b>    |
| Income tax and social contribution                             | US\$ | (16)                                 | (6)        | 1               | (16)           | (37)          | (1)                                  | (18)       | (32)            | (24)           | (75)          |



|                               |           |           |            |           |           |            |           |           |           |            |
|-------------------------------|-----------|-----------|------------|-----------|-----------|------------|-----------|-----------|-----------|------------|
| <b>Net income (loss) US\$</b> | <b>22</b> | <b>10</b> | <b>(2)</b> | <b>12</b> | <b>43</b> | <b>(1)</b> | <b>29</b> | <b>46</b> | <b>35</b> | <b>109</b> |
|-------------------------------|-----------|-----------|------------|-----------|-----------|------------|-----------|-----------|-----------|------------|

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| Logistics Area  | Docenave (Additional information Unaudited) |           |          |          |          | Consolidated Subsidiary              |           |          |          |          |
|---|---|-----------|----------|----------|----------|--------------------------------------|-----------|----------|----------|----------|
|   | 2005  |           |          |          |          | 2005                                 |           |          |          |          |
|   | As of and for the three-months ended        |           |          |          |          | As of and for the three-months ended |           |          |          |          |
| Information   | March                                       | September |          | December | Total    | March                                | September |          | December | Total    |
|   | 31  | June 30   | 30       | 31       |          | 31                                   | June 30   | 30       | 31       |          |
| Shipping: Quantity<br>and External<br>Market:<br>Bulk<br>Transportation (ore MT<br>) (thousand) | 889   | 881       | 777      | 812      | 3,359    | 1,426                                | 1,430     | 1,047    | 1,228    | 5,131    |
| Containers<br>(TEUS)  | 9,888                                       | 8,845     | 8,907    | 6,663    | 34,303   | 7,444                                | 8,674     | 10,194   | 10,991   | 37,303   |
| UG (maneuver)   | 556   | 804       | 991      | 416      | 2,767    | 698                                  | 623       | 617      | 819      | 2,757    |
| Shipping: Quantity<br>and Domestic<br>Market:<br>Bulk<br>Transportation (ore MT<br>) (thousand) | 345   | 291       | 330      |          | 966      | 129                                  | 495       | 573      | 411      | 1,608    |
| Containers<br>(TEUS)  | 13,826                                      | 12,964    | 14,288   | 18,432   | 59,510   | 14,532                               | 15,916    | 15,895   | 15,064   | 61,407   |
| UG (maneuver)   | 1,126                                       | 968       | 899      | 1,512    | 4,505    | 912                                  | 986       | 1,135    | 926      | 3,955    |
| Average sales<br>price Shipping<br>External market:<br>Bulk<br>Transportation (ore<br>) US\$    | 15.55                                       | 11.25     | 14.89    | 16.85    | 14.58    | 10.83                                | 11.83     | 16.47    | 16.21    | 13.55    |
| Containers<br>(TEUS) US\$   | 616.40                                      | 753.31    | 713.37   | 1,048.33 | 760.78   | 569.99                               | 585.77    | 605.55   | 778.73   | 644.83   |
| UG (maneuver) US\$  | 3,453.24                                    | 3,075.23  | 3,112.53 | 5,921.07 | 3,592.40 | 3,005.73                             | 3,321.03  | 3,414.91 | 3,063.49 | 3,185.77 |
| Average sales<br>price Shipping<br>Domestic market:<br>Bulk<br>Transportation (ore<br>) US\$    | 9.88  | 7.56      | 7.00     |          | 8.20     | 3.81                                 | 8.37      | 7.23     | 11.68    | 8.43     |
| Containers<br>(TEUS) US\$   | 817.37                                      | 865.17    | 893.48   | 794.24   | 838.89   | 594.62                               | 619.63    | 681.54   | 628.98   | 632.03   |
| UG (maneuver) US\$  | 3,449.38                                    | 3,931.46  | 4,362.93 | 2,996.97 | 3,583.43 | 3,003.29                             | 3,294.12  | 3,376.21 | 3,019.44 | 3,186.43 |
|   | US\$  | 1         |          |          |          | 1                                    | 1         | 1        | 1        |          |

|  |      |                |            |            |            |            |           |           |            |           |          |
|--|------|----------------|------------|------------|------------|------------|-----------|-----------|------------|-----------|----------|
| Long-term<br>debt, gross   |      |                |            |            |            |            |           |           |            |           |          |
| Short-term<br>debt, gross  | US\$ |                | 1          | 1          |            |            | 1         | 1         | 1          | 1         |          |
| <b>Total<br/>debt, gross</b>   | US\$ | <b>1</b>       | <b>1</b>   | <b>1</b>   |            |            | <b>2</b>  | <b>2</b>  | <b>2</b>   | <b>2</b>  |          |
| <b>Shareholders<br/>equity</b>   | US\$ | <b>102</b>     | <b>113</b> | <b>127</b> | <b>137</b> | <b>137</b> | <b>89</b> | <b>95</b> | <b>111</b> | <b>91</b> | <b>9</b> |
| Net operating<br>revenues  | US\$ | 39             | 35         | 38         | 40         | 152        | 33        | 39        | 44         | 47        | 16       |
| Cost of products<br>sold   | US\$ | (24)           | (22)       | (24)       | (29)       | (99)       | (27)      | (26)      | (30)       | (35)      | (11)     |
| Depreciation,<br>amortization and<br>depletion                                 | US\$ | (1)            | (1)        | 1          | (2)        | (3)        | (3)       | (2)       | (1)        | (6)       | (1)      |
| <b>EBITDA</b>  | US\$ | <b>&gt; 15</b> | <b>13</b>  | <b>16</b>  | <b>10</b>  | <b>54</b>  | <b>3</b>  | <b>12</b> | <b>14</b>  | <b>7</b>  | <b>3</b> |
| Depreciation,<br>amortization and<br>depletion                                 | US\$ | (1)            | (1)        | (1)        | (1)        | (4)        |           | (1)       | (1)        | (1)       | (1)      |
| <b>EBIT</b>  | US\$ | <b>&gt; 14</b> | <b>12</b>  | <b>15</b>  | <b>9</b>   | <b>50</b>  | <b>3</b>  | <b>11</b> | <b>13</b>  | <b>6</b>  | <b>3</b> |
| Net financial result   | US\$ | 1              | (8)        | (4)        | 9          | (2)        | 5         | 4         | (2)        | (4)       |          |
| <b>Income<br/>(loss) before<br/>income tax and<br/>social<br/>contribution</b> | US\$ | <b>15</b>      | <b>4</b>   | <b>11</b>  | <b>18</b>  | <b>48</b>  | <b>8</b>  | <b>15</b> | <b>11</b>  | <b>2</b>  | <b>3</b> |
| Income tax and<br>social contribution  | US\$ | (4)            | (3)        | (4)        | (2)        | (13)       | (1)       |           | (3)        | (1)       | (1)      |
| <b>Net income (loss)</b>   | US\$ | <b>11</b>      | <b>1</b>   | <b>7</b>   | <b>16</b>  | <b>35</b>  | <b>7</b>  | <b>15</b> | <b>8</b>   | <b>1</b>  | <b>3</b> |

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| Logistics Area<br>Information                                   | FCA (Additional information<br>Unaudited) | Consolidated Subsidiary                 |            |                 |                | 2005                                    |             |            |                 |                | 2004        |
|---|---|---|------------|-----------------|----------------|---|-------------|------------|-----------------|----------------|-------------|
|   |   | As of and for the three-months<br>ended |            |                 |                | As of and for the three-months<br>ended |             |            |                 |                |             |
|   |   | March<br>31                             | June<br>30 | September<br>30 | December<br>31 | Total                                   | March<br>31 | June<br>30 | September<br>30 | December<br>31 | Total       |
| Quantity sold<br>internal market<br>Railroad Service (thousand) |   | 6,103                                   | 7,416      | 7,616           | 6,425          | 27,560                                  | 5,807       | 6,943      | 6,931           | 7,086          | 26,767      |
| Average sales<br>price internal<br>market Railroad<br>Service   | US\$                                      | 9.82                                    | 12.16      | 13.31           | 13.00          | 12.16                                   | 7.86        | 8.19       | 8.80            | 8.97           | 8.48        |
| Long-term<br>indebtedness, gross                                | US\$                                      | 127                                     | 136        | 133             |                |   | 111         | 107        | 109             | 134            | 134         |
| Short-term<br>indebtedness, gross                               | US\$                                      |   |            |                 |                |   | 18          | 18         | 18              |                |             |
| <b>Total<br/>indebtedness,<br/>gross</b>                        | US\$                                      | <b>127</b>                              | <b>136</b> | <b>133</b>      |                |   | <b>129</b>  | <b>125</b> | <b>127</b>      | <b>134</b>     | <b>134</b>  |
| <b>Stockholders<br/>equity</b>                                  | US\$                                      | <b>19</b>                               | <b>12</b>  | <b>(21)</b>     | <b>(56)</b>    | <b>(56)</b>                             | <b>29</b>   | <b>19</b>  | <b>26</b>       | <b>17</b>      | <b>17</b>   |
| Net operating<br>revenues                                       | US\$                                      | 49                                      | 76         | 85              | 68             | 278                                     | 39          | 47         | 51              | 52             | 189         |
| Cost of products<br>Other<br>expenses/revenues                  | US\$                                      | (55)                                    | (71)       | (83)            | (94)           | (303)                                   | (43)        | (44)       | (52)            | (57)           | (196)       |
| Depreciation,<br>amortization and<br>depletion                  | US\$                                      |   | (7)        | (22)            | (15)           | (44)                                    | 1           | (4)        | (3)             | (8)            | (14)        |
|   | US\$                                      | 6                                       | 7          | 6               | 11             | 30                                      | 4           | 3          | 4               | 5              | 16          |
| <b>EBITDA</b>   | US\$                                      | <b>&gt;</b>                             | <b>5</b>   | <b>(14)</b>     | <b>(30)</b>    | <b>(39)</b>                             | <b>1</b>    | <b>2</b>   |                 | <b>(8)</b>     | <b>(5)</b>  |
| Depreciation,<br>amortization and<br>depletion                  | US\$                                      | (6)                                     | (7)        | (6)             | (11)           | (30)                                    | (4)         | (3)        | (4)             | (5)            | (16)        |
| <b>EBIT</b>   | US\$                                      | <b>&gt; (6)</b>                         | <b>(2)</b> | <b>(20)</b>     | <b>(41)</b>    | <b>(69)</b>                             | <b>(3)</b>  | <b>(1)</b> | <b>(4)</b>      | <b>(13)</b>    | <b>(21)</b> |

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|                               |            |          |             |             |             |            |            |            |             |             |
|-------------------------------|------------|----------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|
| Net financial result US\$     | 1          | 9        | (12)        | 4           | 2           | (4)        | (7)        | 2          | 2           | (7)         |
| <b>Net income (loss) US\$</b> | <b>(5)</b> | <b>7</b> | <b>(32)</b> | <b>(37)</b> | <b>(67)</b> | <b>(7)</b> | <b>(8)</b> | <b>(2)</b> | <b>(11)</b> | <b>(28)</b> |

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**Table of Contents****Others Caemi (Additional information Unaudited) Consolidated Subsidiary**

| Information                                 | 2005                                 |               |               |               |               | 2004                                 |               |               |               |               |
|---|--------------------------------------|---------------|---------------|---------------|---------------|--------------------------------------|---------------|---------------|---------------|---------------|
|   | As of and for the three-months ended |               |               |               |               | As of and for the three-months ended |               |               |               |               |
|   | March 31                             | June 30       | September 30  | December 31   | Total         | March 31                             | June 30       | September 30  | December 31   | Total         |
| <b>IRON ORE</b>                             |                                      |               |               |               |               |                                      |               |               |               |               |
| Quantity sold external market (thousand) MT | 9,560                                | 9,949         | 10,737        | 9,174         | 39,420        | 7,855                                | 7,407         | 9,311         | 9,446         | 34,019        |
| Quantity sold internal market (thousand) MT | 1,946                                | 2,388         | 2,673         | 2,570         | 9,577         | 1,941                                | 2,851         | 2,525         | 2,349         | 9,666         |
| <b>Quantity sold total (thousand) MT</b>    | <b>11,506</b>                        | <b>12,337</b> | <b>13,410</b> | <b>11,744</b> | <b>48,997</b> | <b>9,796</b>                         | <b>10,258</b> | <b>11,836</b> | <b>11,795</b> | <b>43,685</b> |
| Average sales price external market US\$    | 22.49                                | 39.40         | 38.69         | 36.52         | 34.44         | 18.95                                | 22.68         | 21.63         | 22.50         | 21.48         |
| Average sales price internal market US\$    | 17.91                                | 32.29         | 26.63         | 27.20         | 26.42         | 14.14                                | 14.62         | 15.33         | 17.62         | 15.44         |
| <b>Average sales price total US\$</b>       | <b>21.71</b>                         | <b>38.02</b>  | <b>36.30</b>  | <b>34.69</b>  | <b>32.92</b>  | <b>18.00</b>                         | <b>20.44</b>  | <b>20.28</b>  | <b>21.53</b>  | <b>20.14</b>  |
| <b>BAUXITE</b>                              |                                      |               |               |               |               |                                      |               |               |               |               |
| Quantity sold external market (thousand) MT |                                      |               |               |               |               | 19                                   |               |               |               | 19            |
| Quantity sold internal market (thousand) MT |                                      |               |               |               |               | 1                                    |               |               |               | 1             |
| <b>Quantity sold total (thousand) MT</b>    |                                      |               |               |               |               | <b>20</b>                            |               |               |               | <b>20</b>     |
| Average sales price external market US\$    |                                      |               |               |               |               | 148.20                               |               |               |               | 148.20        |
| Average sales price internal market US\$    |                                      |               |               |               |               | 158.00                               |               |               |               | 158.00        |
| <b>Average sales price total US\$</b>       |                                      |               |               |               |               | <b>148.67</b>                        |               |               |               | <b>148.67</b> |
| <b>KAOLIN</b>                               |                                      |               |               |               |               |                                      |               |               |               |               |
|   | 253                                  | 267           | 253           | 321           | 1,094         | 169                                  | 175           | 170           | 156           | 670           |

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|  |                      |               |               |               |               |               |               |               |               |               |               |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Quantity sold external market (thousand)               | MT                   |               |               |               |               |               |               |               |               |               |               |
| Quantity sold internal market (thousand)               | MT                   | 29            | 29            | 32            | 34            | 124           | 18            | 18            | 20            | 18            | 74            |
| <b>Quantity sold total</b>                             | <b>MT (thousand)</b> | <b>282</b>    | <b>296</b>    | <b>285</b>    | <b>355</b>    | <b>1,218</b>  | <b>187</b>    | <b>193</b>    | <b>190</b>    | <b>174</b>    | <b>744</b>    |
| Average sales price external market                    | US\$                 | 167.32        | 175.04        | 175.68        | 165.27        | 170.54        | 153.64        | 161.84        | 161.44        | 164.46        | 160.28        |
| Average sales price internal market                    | US\$                 | 197.76        | 202.59        | 212.12        | 249.42        | 216.76        | 210.17        | 184.56        | 200.15        | 235.06        | 207.29        |
| <b>Average sales price total</b>                       | <b>US\$</b>          | <b>170.45</b> | <b>177.74</b> | <b>178.81</b> | <b>173.07</b> | <b>174.94</b> | <b>159.08</b> | <b>163.94</b> | <b>165.51</b> | <b>171.86</b> | <b>164.96</b> |
| Long-term indebtedness, gross                          | US\$                 | 228           | 164           | 156           | 153           | 153           | 189           | 166           | 191           | 181           | 181           |
| Short-term indebtedness, gross                         | US\$                 | 22            | 14            | 4             |               |               | 14            | 10            | 6             | 3             | 3             |
| <b>Total indebtedness, gross</b>                       | <b>US\$</b>          | <b>250</b>    | <b>178</b>    | <b>160</b>    | <b>153</b>    | <b>153</b>    | <b>203</b>    | <b>176</b>    | <b>197</b>    | <b>184</b>    | <b>184</b>    |
| <b>Stockholders equity</b>                             | <b>US\$</b>          | <b>1,207</b>  | <b>1,453</b>  | <b>1,732</b>  | <b>1,857</b>  | <b>1,857</b>  | <b>979</b>    | <b>967</b>    | <b>1,107</b>  | <b>1,157</b>  | <b>1,157</b>  |
| Net operating revenues                                 | US\$                 | 272           | 564           | 503           | 465           | 1,804         | 189           | 214           | 246           | 261           | 910           |
| Cost of products                                       | US\$                 | (162)         | (192)         | (200)         | (231)         | (785)         | (121)         | (98)          | (129)         | (136)         | (484)         |
| Other expenses/revenues                                | US\$                 | (33)          | (37)          | (41)          | (48)          | (159)         | (20)          | (23)          | (25)          | (39)          | (107)         |
| Depreciation, amortization and depletion               | US\$                 | 34            | 27            | 37            | 51            | 149           | 29            | 17            | 23            | 29            | 98            |
| <b>EBITDA</b>  | <b>US\$</b>          | <b>111</b>    | <b>362</b>    | <b>299</b>    | <b>237</b>    | <b>1,009</b>  | <b>77</b>     | <b>110</b>    | <b>115</b>    | <b>115</b>    | <b>417</b>    |
| Depreciation, amortization and depletion               | US\$                 | (34)          | (27)          | (37)          | (51)          | (149)         | (29)          | (17)          | (23)          | (29)          | (98)          |
| <b>EBIT</b>  | <b>US\$</b>          | <b>77</b>     | <b>335</b>    | <b>262</b>    | <b>186</b>    | <b>860</b>    | <b>49</b>     | <b>93</b>     | <b>92</b>     | <b>86</b>     | <b>319</b>    |
| Sale of assets   | US\$                 |               |               | 126           |               | 126           |               |               |               |               |               |
| Gain on investments accounted for by the equity method | US\$                 | 13            | 16            | (3)           | 7             | 33            | 5             | 5             | 7             | 6             | 23            |

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|   |      |           |            |            |            |            |           |           |           |           |            |
|---|------|-----------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|------------|
| Net financial result US\$   |      | 5         | (40)       | (24)       | 23         | (36)       | (4)       | (1)       | (9)       | (10)      | (24)       |
| <b>Income before<br/>income tax and<br/>social<br/>contribution</b> | US\$ | <b>95</b> | <b>311</b> | <b>361</b> | <b>216</b> | <b>983</b> | <b>49</b> | <b>97</b> | <b>90</b> | <b>82</b> | <b>318</b> |
| Income tax and<br>social contribution                               | US\$ | (27)      | (97)       | (90)       | 30         | (184)      | (16)      | (31)      | (27)      | (21)      | (95)       |
| Minority interest   | US\$ | (12)      | (37)       | (10)       | (29)       | (88)       | (7)       | (13)      | (10)      | (12)      | (42)       |
| <b>Net income</b>   | US\$ | <b>56</b> | <b>177</b> | <b>261</b> | <b>217</b> | <b>711</b> | <b>26</b> | <b>53</b> | <b>53</b> | <b>49</b> | <b>181</b> |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANHIA VALE DO RIO DOCE  
(Registrant)

Date: March 9, 2006

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