

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

Companhia Vale do Rio Doce  
Form 6-K  
August 04, 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  
August 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**

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**MAINTAINING GROWTH MOMENTUM**

**Performance of CVRD in the first half of 2006 (1H06)**

Rio de Janeiro, August 2, 2006 Companhia Vale do Rio Doce (CVRD) has shown a performance in the first half of 2006 (1H06) consistent with the trend of improving earnings, begun in the last quarter of 2002.

Here are the main highlights of the Company's financial performance:

Gross accumulated revenues in 1H06 of R\$18.4 billion, compared to R\$17.1 billion in 1H05. In 2Q06, gross revenue totaled R\$10.1 billion, a new quarterly record, beating the previous one, obtained in 2Q05, of R\$10.0 billion.

Exports of US\$4.8 billion in 1H06, up 46.8% on 1H05. Net exports amounted to US\$4.4 billion, up 50.3% on the same half a year earlier. As a result, CVRD's contribution to Brazil's trade balance amounted to 22.4% of the trade surplus in 1H06, of US\$19.6 billion.

Operating profit, as measured by EBIT (earnings before interest and tax) of R\$7.8 billion in 1H06, against R\$7.1 billion in 1H05. Operating profit of R\$4.5 billion in 2Q06, 5% below 2Q05, R\$4.8 billion.

EBIT margin of 43.7% in 1H06, and 46.2% in 2Q06.

Cash generation, as measured by EBITDA (earnings before interest, tax, depreciation and amortization), of R\$8.9 billion in 1H06, 8.8% higher than in 1H05. In 2Q06, EBITDA totaled R\$5.2 billion, compared to R\$5.3 billion in 2Q05.

Net earnings in 1H06, of R\$6.1 billion, R\$2.51 per share, 19.5% higher than that in 1H05, of R\$5.1 billion. In 2Q06, net earnings amounted to R\$3.9 billion, R\$1.61 per share, a new quarterly record, up 12.2% on the earnings in 2Q05, of R\$3.5 billion.

Return on net equity (ROE) of 32.2% in 2Q06 and 38.3% in 2Q05.

Investments realised in 1H06 of US\$1.9 billion<sup>1</sup>, compared to US\$1.4 billion in 1H05. In 2Q06, investments were US\$818 million, US\$518 million being spent on organic growth and US\$300 million in the sustaining of existing operations.

<sup>1</sup> Calculated according to the generally

accepted  
accounting  
principles in the  
United States  
(US GAAP)  
based on the  
amount  
disbursed.

The financial and  
operational  
information  
contained in this  
press release,  
except where  
otherwise  
indicated, was  
consolidated in  
accordance with  
generally  
accepted  
Brazilian  
accounting  
principles  
(Brazilian  
GAAP).  
According to the  
criteria of  
Brazilian GAAP,  
those companies  
in which CVRD  
has effective  
control, or shared  
control as  
defined by  
shareholders  
agreement, are  
included in the  
consolidated  
figures. In the  
instances where  
CVRD has  
effective control,  
the consolidation  
is carried out on  
a 100% basis and  
the difference  
between this  
amount and the  
percentage of  
CVRD's equity

stake in the subsidiary is discounted at the minority shareholding line. CVRD's main subsidiaries are Caemi, Alunorte, Albras, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), Rio Doce Europa, CVRD International, CVRD Overseas and Rio Doce International Finance. For companies in which control is shared, the consolidated figures are proportional to the equity stake held by CVRD in each company. The main companies in which CVRD had shared control on June 30, 2006 were MRN, Valesul, Kobrasco, Nibrasco, Hispanobras, Itabrasco, Samarco and CSI.

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**SELECTED FINANCIAL INDICATORS**

R\$ million

|                              | <b>2Q05</b> | <b>1Q06</b> | <b>2Q06</b> | <b>1H05</b> | <b>1H06</b> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Gross operating revenues     | 10,051      | 8,281       | 10,131      | 17,104      | 18,412      |
| Exports (US\$ million)       | 1,951       | 2,282       | 2,543       | 3,287       | 4,825       |
| Net exports (US\$ million)   | 1,817       | 2,054       | 2,322       | 2,912       | 4,376       |
| EBIT                         | 4,756       | 3,240       | 4,519       | 7,132       | 7,759       |
| EBIT margin (%)              | 49.8        | 40.7        | 46.2        | 43.8        | 43.7        |
| EBITDA                       | 5,334       | 3,753       | 5,153       | 8,183       | 8,907       |
| Net earnings                 | 3,479       | 2,184       | 3,906       | 5,094       | 6,090       |
| Net earnings per share (R\$) | 1.51        | 0.90        | 1.61        | 2.21        | 2.51        |
| Annualized ROE (%)           | 38.3        | 34.7        | 32.2        | 38.3        | 32.2        |
| Capex* (US\$ million)        | 821         | 1,126       | 818         | 1,392       | 1,944       |

\* acquisitions  
included

**BUSINESS OUTLOOK**

The economic cycle that began in 2002, and which supports the present cycle of expansion in metals – the longest in the last 40 years – has alternated phases of acceleration and deceleration of the global economy growth, with an average duration of four quarters. The most recent period of acceleration began in the second quarter of 2005 and continued at least until the second quarter of 2006, characterized by global GDP growth rates close to 5% per year.

The normalization of monetary policies, led by the US Federal Reserve Bank and followed by the world's main central banks, brings the world economy into a transition in which the rate of increase of GDP is moving from a pace above that of its long-run capacity to a more moderate and sustainable rate. Although the current level of interest rates does not constrain economic growth, they are not stimulating factors to the acceleration of the economic activity.

Leading indicators are showing signs that expansion of the world economy should continue to be robust in the next six months, though more moderate than in recent quarters.

The *OECD Composite Leading Indicator* (OECD CLI) rose, in May, for the 13<sup>th</sup> consecutive month, but with a lower growth rate. This indicates continuing vigorous economic growth in the coming quarters, but at a slower pace, especially in the USA. Simultaneously, the OECD CLI indicates improvement in the performance of the economies of Japan and the Euro Zone.

The *Global Manufacturing PMI*, a leading indicator for performance of the world's manufacturing industry, increased in July, reaching a level consistent with a 5% annual growth in industrial production. This index projects a similar outlook to the OECD CLI for the near future – moderation, with regional rotation in the growth dynamics, with acceleration in Europe and Japan, and deceleration in the USA.

In the US, consumer spending has grown more slowly, due to the effect of the increase in energy prices on consumers' real income and a negative wealth effect derived from housing prices. The interest rate rise produced a reduction in new home construction and sales, with a direct negative impact on economic growth while the end of the housing price boom generating a negative wealth effect on consumer spending.

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On the other hand, the US unemployment rate continues to fall, from 5.0% in the second half of 2005 to 4.7% in the second quarter of 2006; capital spending on equipment and software is rising, at approximately 10% per year; and investment in non-residential construction, after a weak year in 2005, has recovered considerably in first half 2006. Productivity is growing consistently, benefiting from technological innovation, organizational changes and improvements in processes. Companies continue to return excellent profitability and, in spite of the increase in long-term interest rates, credit quality continues to be good.

In spite of the concerns expressed by the capital markets in 2Q06 on the future performance of the US economy, which resulted in a strong increase in price volatility of financial assets and commodities, the outlook is good, with GDP growth in the US expected to be around 3.5% per year, a rate that is compatible with its potential.

The Bank of Japan's 25-basis-point increase in short-term interest rates on July 14 ended almost six years of a zero per cent interest rate policy, used to reverse the process of deflation that had taken over the Japanese economy – officially closing the longest period of economic stagnation in a developed economy since the Great Depression of 1929.

The emerging economies maintain growth of about 6% per year, which acts in favor of the development of global demand for minerals and metals. China and India, which together account for 21% of the world's GDP, have been characterized by considerable dynamism.

In India, where industrial production is expanding at an annualized rate of 10%, steel production is growing at 16% for the second consecutive year.

In 2Q06 the economy of China posted its highest quarterly GDP growth rate – 11.3% – since fourth quarter 1994, when it grew 12.8%. The extraordinary performance of the Chinese economy has been primarily due to growth of exports, totaling US\$429 billion in 1H06, 25.2% more than in 1H05, and investment in fixed assets, of 31.3%. As in 2004, the economic authorities are beginning to adopt restrictive measures, directing the economy to a growth rate closer to 9% p.a., which represents the long-term trend.

The Brazilian economy grows for the third consecutive year, along with consistent reduction of inflation rate and of its vulnerability to external shocks. The Brazilian real shows signals of stabilization after strong appreciation since the last quarter of 2002.

The increase in global demand for steel caused a clear reversal of the trend to falling prices shown in 2005, with the CRU Steel Price Index returning to the record levels of second half 2004 reported in North America, Europe and Asia. In reaction to the price incentives, world crude steel production is growing at 9% p.a. – and, respectively, at 21.3%, 6.7% and 5.5%, in China, the US and Europe of the 25.

The rising global steel output has caused an increase in prices of metallic products – pig iron, HBI and scrap – in all regions of the world since March 2006, and had a direct effect on demand for iron ore.

Chinese iron ore imports in 1H06 totaled 161.4 million tons, which was 30 million tons – or 22.9% – more than in the first half of 2005. Spot iron ore market prices continued to be above the reference prices for long-term contracts even after the 19% increase for 2006, showing that the disequilibrium between global demand and supply persists.

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The world steel production ex-China, which has decreased in 2H05 and part of 1Q06, is recovering with growth of 3.7% in 1H06. This fact has strengthened demand for iron ore, and also contributed to resumption of growth in seaborne demand for pellets, which caused the return of operation at the São Luís plant on July.

The good outlook for maintenance of the solid performance of the global economy sustains expectations that the current minerals and metals cycle will be prolonged, which clearly has positive implications for the performance of CVRD, whose production in the various sectors of the mining industry is in a process of strong expansion.

**MATERIAL EVENTS**

**Reference prices of iron ore and pellets for 2006**

Negotiation of iron ore and pellet prices for 2006 was concluded with an increase of 19% in prices of fines and lumps, and a reduction of 3% in prices of blast furnace and direct reduction pellets.

The raise in the price of iron ore reflects the imbalance between global demand and supply resulting from significant expansion in demand, which grew at an average annual rate of 11% in the first half of this decade.

**Asset portfolio**

In July CVRD acquired 45.5% of total capital of Valesul Alumínio S.A., an aluminum smelter located in the state of Rio de Janeiro, Brazil, for US\$27.5 million, increasing its stake to 100%.

The acquisition is aligned with CVRD's strategy for the aluminum business of focusing on organic growth in the upstream of the value chain and strategic partnership in smelters. Valesul will begin to be fully consolidated in our financial statements in 3Q06.

At the same time, the Company disposed of its 50% stake in Gulf Industrial Investment Company (GIIC), a pelletizing plant in Bahrain, for US\$418 million. CVRD and Gulf Investment Corporation – the holder of the other 50% of GIIC, developed different views on management of the joint venture, and entered into a mandatory buy-sell agreement to solve the divergences in accordance with the shareholders' agreement.

**Financial management and risk perception**

CVRD contracted a revolving credit line in the amount of US\$500 million, with tenor of five years, with a pool of global commercial banks. The commitment fee is 0.09% p.a., and the cost of its utilization is Libor plus 0.235% p.a. The transaction was structured in such a way as not to have any restrictions on disbursement of funds related to sovereign risk.

With this new credit line CVRD now has, in addition to its own cash holdings, a liquidity cushion of approximately US\$1.2 billion, which makes an important contribution to its risk perception by the financial markets.

Recognition of CVRD's financial solidity is evidenced by its investment grade rating from the world's four largest rating agencies: Standard & Poor's (BBB+),  
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Moody's (Baa3), Dominion Bond Rating Services (BBB *high*) and Fitch Ratings (BBB-), with a positive contribution to its cost of capital reduction.

In 2Q06, the rating of CVRD by S&P was improved from BBB, given in October 2005, to BBB+, two notches above the lowest investment grade level. Dominion Bond Rating Services also upgraded its risk rating for the Company, from BBB (low), given in August 2005, to BBB (high).

**Shares**

In April CVRD's Extraordinary General Meeting of Shareholders approved a one-for-two stock split, for both the common and preferred shares.

This was made effective on the São Paulo Stock Exchange (Bovespa) on May 25, 2006 for shareholders record on May 19, 2006.

For the American Depository Receipts (ADRs) traded on the New York Stock Exchange (NYSE) the distribution of new ADRs (one new ADR for each existing ADR) took place on June 7, for record date May 24, 2006. Each ADR, whether RIO or RIOPR, continues to represent one common or preferred share.

The split increased CVRD's total number of shares to 2,459,657,056, of which 1,499,898,858 are common shares and 959,758,198 are PNA preferred shares.

On June 21 CVRD announced a 180-day buy-back program for up to 47,986,763 of its preferred Class A shares, or 5% of the total number of preferred shares outstanding on May 31, 2006.

By the end of July 15, 149,600 preferred shares had been acquired, involving the spending of R\$659.6 million.

**REVENUES**

In the first half of 2006, our gross revenue amounted to R\$18.412 billion, up 7.7% on that achieved in 1H05, of R\$17.103 billion.

In 2Q06, gross revenue totaled R\$10.131 billion, beating the previous record obtained in 2Q05, of R\$10.051 billion, by R\$79 million.

Despite the fact that increased sales volume was responsible for R\$905 million, and price rises were responsible for R\$267 million of this increase in gross revenue observed, the 13.3% appreciation in the Brazilian Real against the US dollar neutralized these effects, having a negative impact of R\$1.093 billion.

In 2Q06, revenues of R\$310 million were added due to the booking of the retrospective iron ore price increases on sales in 1Q06, while in the case of pellet sales, R\$9 million was deducted as a result of the price reduction. Bearing in mind that the price negotiations with our clients in China were completed at the end of 2Q06, net sales of R\$466 million will be added to revenues in 3Q06, for shipments carried out in 2Q06.

In 2Q06, shipments of ferrous minerals (iron ore, pellets, manganese and ferro-alloys) were responsible for 65.7% of total revenues. Sales of products in the aluminium chain (bauxite, alumina, primary aluminium) accounted for 15.2% of the total revenues, while logistics services accounted for 8.8%, non-ferrous minerals (copper, potash and kaolin) 5.9% and steel products, 3.8%.

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Revenues from sales to the Americas accounted for 33.8% of CVRD's total revenues in 2Q06. Shipments to Asia were responsible for 33.7%, while sales to Europe accounted for 26.6%.

Brazil was the Company's main sales destination, from where 20.7% of gross revenues originated. China, CVRD's most important shipping destination after Brazil, accounted for 18.3% of revenues, having almost doubled its share of total revenues from two years ago, when in 2Q04 the figure was 9.5%.

**GROSS REVENUES BY PRODUCT**

|  | R\$ million   |              |              |              |               |              |
|--|---------------|--------------|--------------|--------------|---------------|--------------|
|  | 2Q05          | %            | 1Q06         | %            | 2Q06          | %            |
| <b>Iron ore and pellets</b>                  | <b>7,015</b>  | <b>69.8</b>  | <b>5,480</b> | <b>66.2</b>  | <b>6,338</b>  | <b>62.6</b>  |
| Iron ore                                     | 5,072         | 50.5         | 4,147        | 50.1         | 5,130         | 50.6         |
| Pellets                                      | 1,943         | 19.3         | 1,333        | 16.1         | 1,208         | 11.9         |
| <b>Pelletizing plants operation services</b> | <b>13</b>     | <b>0.1</b>   | <b>18</b>    | <b>0.2</b>   | <b>17</b>     | <b>0.2</b>   |
| <b>Manganese and ferro-alloys</b>            | <b>443</b>    | <b>4.4</b>   | <b>256</b>   | <b>3.1</b>   | <b>301</b>    | <b>3.0</b>   |
| <b>Copper concentrate</b>                    | <b>229</b>    | <b>2.3</b>   | <b>242</b>   | <b>2.9</b>   | <b>447</b>    | <b>4.4</b>   |
| <b>Potash</b>                                | <b>76</b>     | <b>0.8</b>   | <b>49</b>    | <b>0.6</b>   | <b>49</b>     | <b>0.5</b>   |
| <b>Kaolin</b>                                | <b>111</b>    | <b>1.1</b>   | <b>106</b>   | <b>1.3</b>   | <b>100</b>    | <b>1.0</b>   |
| <b>Aluminum</b>                              | <b>928</b>    | <b>9.2</b>   | <b>1,051</b> | <b>12.7</b>  | <b>1,543</b>  | <b>15.2</b>  |
| <b>Logistics</b>                             | <b>848</b>    | <b>8.4</b>   | <b>704</b>   | <b>8.5</b>   | <b>896</b>    | <b>8.8</b>   |
| Railroads                                    | 631           | 6.3          | 535          | 6.5          | 689           | 6.8          |
| Ports  | 123           | 1.2          | 106          | 1.3          | 127           | 1.3          |
| Shipping                                     | 94            | 0.9          | 63           | 0.8          | 80            | 0.8          |
| <b>Steel products</b>                        | <b>379</b>    | <b>3.8</b>   | <b>349</b>   | <b>4.2</b>   | <b>382</b>    | <b>3.8</b>   |
| <b>Coal</b>                                  |               | <b>0.0</b>   | <b>9</b>     | <b>0.1</b>   |               | <b>0.0</b>   |
| <b>Others</b>                                | <b>11</b>     | <b>0.1</b>   | <b>15</b>    | <b>0.2</b>   | <b>58</b>     | <b>0.6</b>   |
| <b>Total</b>                                 | <b>10,051</b> | <b>100.0</b> | <b>8,281</b> | <b>100.0</b> | <b>10,131</b> | <b>100.0</b> |

**GROSS REVENUES BY DESTINATION**

|                          | R\$ million   |              |              |              |               |              |
|--------------------------|---------------|--------------|--------------|--------------|---------------|--------------|
|                          | 2Q05          | %            | 1Q06         | %            | 2Q06          | %            |
| <b>Americas</b>          | <b>3,786</b>  | <b>37.7</b>  | <b>2,854</b> | <b>34.5</b>  | <b>3,422</b>  | <b>33.8</b>  |
| Brazil                   | 2,323         | 23.1         | 1,761        | 21.3         | 2,094         | 20.7         |
| USA                      | 715           | 7.1          | 526          | 6.4          | 671           | 6.6          |
| Others                   | 748           | 7.4          | 567          | 6.8          | 656           | 6.5          |
| <b>Asia</b>              | <b>2,518</b>  | <b>25.0</b>  | <b>2,840</b> | <b>34.3</b>  | <b>3,409</b>  | <b>33.7</b>  |
| China                    | 1,129         | 11.2         | 1,495        | 18.1         | 1,850         | 18.3         |
| Japan                    | 841           | 8.4          | 837          | 10.1         | 864           | 8.5          |
| Others                   | 548           | 5.5          | 508          | 6.1          | 695           | 6.9          |
| <b>Europe</b>            | <b>3,027</b>  | <b>30.1</b>  | <b>2,175</b> | <b>26.3</b>  | <b>2,693</b>  | <b>26.6</b>  |
| <b>Rest of the World</b> | <b>721</b>    | <b>7.2</b>   | <b>412</b>   | <b>5.0</b>   | <b>607</b>    | <b>6.0</b>   |
| <b>Total</b>             | <b>10,051</b> | <b>100.0</b> | <b>8,281</b> | <b>100.0</b> | <b>10,131</b> | <b>100.0</b> |

**OPERATIONAL COSTS AND EXPENSES**

In 1H06, our cost of goods sold (COGS) was R\$8.295 billion, 6.4% higher than that reported in 1H05.

In 2Q06, COGS totaled R\$4.351 billion, up R\$340 million compared to the 2Q05 figure, of R\$4.011 billion.

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We are making strenuous efforts to contain the rise in costs, expecting more significant results to materialize over the next 12 months.

The main COGS item, accounting for 21.4% of the total, is expenditure on outsourced services, which amounted to R\$931 million in 2Q06, up 17.1% on the same quarter a year earlier. The main drivers behind this cost item are railfreight contracted for the transport of its iron ore production at MBR mines and Oeste mines, in CVRD's Southern System, equipment and installation maintenance services, and the removal of tailings and ores.

Energy costs 20% of total COGS, were R\$869 million, 6.2% more than in 2Q05. This reflected an increase in consumption as a consequence of the expansion to our operational activities, as well as the rise in energy prices.

Expenses on material 18.7% of total COGS amounted to R\$813 million, in line with the expenditure on this item in 2Q05, R\$792 million. The main components consisted of equipment parts and components, inputs, conveyor belts and tyres.

The cost of product purchases totaled R\$554 million, 12.7% of total COGS, down R\$16 million, or 2.8%, yoy. The lower quantity of iron ore bought from small mining operations in the state of Minas Gerais (3.689 million in 2Q06 compared to 4.140 million in 2Q05), the difference in retrospective price adjustments 2005 and 2006 relative to the first quarter, and the effect of the appreciation in the Brazilian Real against the US dollar, all reduced expenditure under this heading.

Personnel expenses amounted to R\$403 million, up R\$63 million on 2Q05. In addition to the effect of the annual salary increase from July 2005, costs rose with the need to hire the additional employees required for the expansion in our activities.

As a function of the Company's increased asset base, the cost of depreciation and exhaustion, of R\$394 million, was 8.8% higher yoy.

Demurrage expenses fines paid for delays in loading ships at the Company's maritime terminals were R\$35 million, 12.5% down on 2Q05. CVRD has been working intensively on perfecting its logistic processes, seeking to optimize integrated systems (mines-railroad-port). As a result, there was a reduction of 15.2% in demurrage per ton shipped, amounting to US\$0.28 in 2Q06 against US\$0.33 in 2Q05.

Operational expenses amounted to R\$910 million in 2Q06, 16.1% higher than the 2Q05 figure.

Administrative expenses totaled R\$381 million, compared to R\$308 million in 2Q05. This increase is basically explained by the higher expenditure on personnel (R\$39 million) and the higher expenditure on sales (R\$36 million).

Expenditure on research and development (R&D) amounted to R\$222 million, against R\$161 million in 2Q05. CVRD has been increasing its expenditure on R&D, within the context of its strategic focus on organic growth, which implies increased expenditure on investment in mineral exploration and feasibility studies for the development of the mineral deposits located in Brazil and in various other countries.

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R\$ million

|                                    | <b>2Q05</b>  | <b>%</b>     | <b>1Q06</b>  | <b>%</b>     | <b>2Q06</b>  | <b>%</b>     |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Outsourced services</b>         | <b>795</b>   | <b>19.8</b>  | <b>865</b>   | <b>21.9</b>  | <b>931</b>   | <b>21.4</b>  |
| <b>Energy</b>                      | <b>818</b>   | <b>20.4</b>  | <b>760</b>   | <b>19.3</b>  | <b>869</b>   | <b>20.0</b>  |
| Fuel oil and gases                 | 446          | 11.1         | 456          | 11.6         | 531          | 12.2         |
| Electric energy                    | 371          | 9.3          | 304          | 7.7          | 338          | 7.8          |
| <b>Material</b>                    | <b>792</b>   | <b>19.7</b>  | <b>712</b>   | <b>18.0</b>  | <b>813</b>   | <b>18.7</b>  |
| <b>Acquisition of products</b>     | <b>570</b>   | <b>14.2</b>  | <b>524</b>   | <b>13.3</b>  | <b>554</b>   | <b>12.7</b>  |
| <b>Personnel</b>                   | <b>340</b>   | <b>8.5</b>   | <b>372</b>   | <b>9.4</b>   | <b>403</b>   | <b>9.3</b>   |
| <b>Depreciation and exhaustion</b> | <b>362</b>   | <b>9.0</b>   | <b>368</b>   | <b>9.3</b>   | <b>394</b>   | <b>9.0</b>   |
| <b>Goodwill amortization</b>       | <b>96</b>    | <b>2.4</b>   | <b>92</b>    | <b>2.3</b>   | <b>94</b>    | <b>2.2</b>   |
| <b>Others</b>                      | <b>238</b>   | <b>5.9</b>   | <b>252</b>   | <b>6.4</b>   | <b>294</b>   | <b>6.8</b>   |
| <b>Total</b>                       | <b>4,011</b> | <b>100.0</b> | <b>3,945</b> | <b>100.0</b> | <b>4,351</b> | <b>100.0</b> |

**OPERATIONAL PERFORMANCE**

In 1H06, EBIT amounted to R\$7.759 billion, 8.8% over the 1H05, R\$7.132 billion. EBIT margin was 43.7%, practically the same as that seen in the same period a year earlier, of 43.8%.

In 2Q06, our EBIT was R\$4.519 billion, 4.9% lower than the record achieved in 2Q05, R\$4.756 billion.

Although there was a raise of R\$228 million in our net revenues when comparing 2Q06 with 2Q05, this result was partially offset by the appreciation in the Brazilian Real against the US dollar, which promoted a negative impact of R\$1.093 billion. Besides that, EBIT was also negatively affected by the increase in COGS of R\$340 million, as well as higher SG&A costs, R\$64 million, and R&D expenses, R\$61 million.

In 2Q06, CVRD's EBIT margin amounted to 46.2%, against 49.8% yoy and 40.7% qoq. Since 2Q05, we have been reporting EBIT margin of higher than 40.0%.

**CASH GENERATION**

CVRD's EBITDA in 1H06 amounted to R\$8.906 billion, 8.8% higher than in the same period the previous year, of R\$8.183 billion.

EBITDA in 2Q06 was R\$5.153 billion, only 3.4% below the quarterly record achieved in 2Q05, of R\$5.334 billion. The reduction of R\$180 million is mainly due to a drop in EBIT, of R\$237 million, partially compensated for by an increase of R\$52 million in depreciation.

In 2Q06, CVRD received R\$94 million in dividends from non-consolidated companies, while in 2Q05, this contribution totaled R\$89 million. Usiminas contributed with R\$59 million in this quarter. Henan Longyu Resources, which begun its operations in the 4Q05, distributed dividends of R\$33 million.

The cash generation breakdown by business area in 2Q06 was as follows: ferrous minerals 71%, products of the aluminum chain 15%, non-ferrous minerals 6.6%, logistics 6.5%, steel, 2.6% and others, representing expenditure on R&D, (1.6%).

2Q06

Table of Contents**QUARTERLY EBITDA**

R\$ million

|   | <b>2Q05</b>  | <b>1Q06</b>  | <b>2Q06</b>  |
|---|--------------|--------------|--------------|
| Net operating revenues                  | 9,551        | 7,965        | 9,780        |
| COGS                                    | (4,011)      | (3,944)      | (4,351)      |
| SG&A                                    | (403)        | (436)        | (512)        |
| Research and development                | (161)        | (156)        | (222)        |
| Other operational expenses              | (220)        | (189)        | (176)        |
| <b>EBIT</b>                             | <b>4,756</b> | <b>3,240</b> | <b>4,519</b> |
| Depreciation, amortization & exhaustion | 488          | 512          | 540          |
| Dividends received                      | 89           | 1            | 94           |
| <b>EBITDA</b>                           | <b>5,334</b> | <b>3,753</b> | <b>5,153</b> |

**FINANCIAL RESULT**

CVRD's net financial result in 1H06 was a negative R\$725 million: financial expenses totaled R\$1.084 billion and financial revenues, R\$213 million. Monetary variation amounted to a positive R\$146 million.

In 2Q06, the net financial result was a negative R\$466 million, down from the figure of R\$548 million in 2Q05, when we reported a positive net financial result of R\$82 million.

Financial revenues amounted to R\$105 million, 78% over 2Q05, due to the higher interest rates and an increase in the average amount held in cash or equivalents.

Financial expenses in 2Q06 totaled R\$557 million, more than two times the same period in 2005, R\$247 million.

Other factors which further contributed to the raise in financial expenses were losses from derivatives and the negative effect of shareholders debentures held being marked to market.

The losses from derivatives were due to remaining hedge operations on the aluminium prices done until 2004.

In May 1997, when CVRD was privatized, we issued shareholders debentures. Their return was established as a percentage of the revenues to be generated in the future through the exploitation of certain mineral assets. These shareholders debentures were registered with the CVM, Brazil's Securities Exchange Commission, in 2002 and are traded on ANDIMA's National Debentures System (SND), [www.debentures.com.br](http://www.debentures.com.br).

These debentures constitute a liability for the Company and as such have their prices marked to market. Owing to their increased trading volume on the SND and the strong increase in their average prices, from R\$0.060999 in 1Q06 to R\$0.325928 in 2Q06, the book value of these obligations on June 30, 2006 was updated to R\$126.6 million, implying the realization of a loss of R\$108.7 million.

Interest expenses amounted to R\$166 million, up R\$27 million yoy, as the reduction in the average cost of debt partially compensated for the increase in gross debt, from US\$4.168 billion in June 30, 2005 to US\$5.883 billion in June 30, 2006.

The effect of the 8.6% appreciation in the Brazilian Real against the US dollar as at June 30, 2006, compared to the end of 2Q05, generated a negative accounting effect of R\$14 million on the 2Q06 result R\$285 million less than in 2Q05, when monetary variation amounted to a positive R\$271 million.

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**EQUITY RESULT**

In 1H06, the equity income result was a negative R\$41 million, compared to a positive result of R\$150 million in 1H05.

In 2Q06, the equity income result was a negative R\$57 million against a positive R\$76 million in 2Q05. This was heavily impacted by the premium on companies consolidated as a result of the incorporation of Caemi shares, which took place at the end of March 2006, of R\$132 million, and of the lower contributions from CVRD's stakes in steel companies, R\$60 million compared to R\$128 million in 2Q05.

**NET EARNINGS**

In 1H06, our net earnings amounted to R\$6.090 billion, up 19.5% on 1H05's figure of R\$5.094 billion.

Net earnings in 2Q06 totaled R\$3.906 billion, setting a new record for the Company, being 12.3% above the previous quarterly record, achieved in 2Q05, of R\$3.479 billion.

The increase in net earnings in the 2Q06 vis-a-vis the 2Q05 is explained by the sale of our stake in GIIC (R\$737 million) and by the elimination of the negative effect of R\$141 million from minority stakes due to the incorporation of the shares of Caemi, which more than compensated the negative effect of the financial result (R\$548 million).

**A HEALTHY BALANCE SHEET: UPGRADE IN THE CREDIT RATING SCALE**

CVRD's total debt, calculated according to the generally accepted accounting principles in the United States, on June 30, 2006 was US\$5.883 billion, vs. US\$6.063 billion on March 31, 2006 and US\$4.168 billion on June 30, 2005. Net debt at the end of June 2006 was US\$3.989 billion, compared to US\$4.419 billion at the end of March 2006, and US\$3.212 billion at the end of June 2005.

The average tenor of the debt on June 30, 2006 was 8.27 years, longer than the average tenor of 6.57 years at June 30, 2005, and 8.15 years at the end of March 2006. Of the total debt on June 30, 2006, 53% was indexed to floating interest rates, and 47% was at fixed rates of interest.

Total debt/LTM adjusted EBITDA diminished from 0.84x on March 31, 2006 to 0.80x on June 30, 2006. Meanwhile, total debt/EV was maintained in the level of 10%.

Interest coverage as measured as LTM adjusted EBITDA/Interest paid was slightly reduced, from 27.08x at the end of the first quarter to 23.76x on June 30, 2006.

Thus, in spite of the increase of total debt in first half of 2006, which was largely due to the anticipation of fund raising to take advantage from lower interest rates, our debt leverage and interest coverage indices are at extremely comfortable levels.

In 2Q06 Fitch Ratings gave CVRD investment grade rating (BBB-), becoming the fourth rating globally-operating agency to do so. Simultaneously, Standard & Poor's (S&P) and Dominion Bond Rating Services (DBRS) also upgraded CVRD's risk rating - S&P from BBB to BBB+, and DBRS from BBBlow to BBBhigh. These two changes place CVRD only one notch below the A band, the highest on the credit rating agencies' classification scale.

2Q06

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**DEBT INDICATORS**

US\$ million

|   | <b>2Q05</b> | <b>1Q06</b> | <b>2Q06</b> |
|---|-------------|-------------|-------------|
| Gross debt                                      | 4,168       | 6,063       | 5,883       |
| Net debt  | 3,212       | 4,419       | 3,989       |
| Gross debt / adjusted LTM EBITDA (x)            | 0.83        | 0.84        | 0.80        |
| Adjusted LTM EBITDA / LTM interest expenses (x) | 17.73       | 27.08       | 23.76       |
| Gross debt / EV (%)                             | 10.98       | 10.31       | 9.85        |

*Enterprise Value = market capitalization + net debt***PERFORMANCE OF THE BUSINESS SEGMENTS*****Ferrous minerals***

In 1H06, sales of iron ore and pellets, of 129.768 million tons, were 7.6% higher than those in 1H05. This was composed by 114.563 million tons of iron ore sales and 15.205 million tons of pellet sales.

Iron ore and pellet shipments in 2Q06, of 67.141 million tons, were up 8.8% compared to the figure in 2Q05. This reflected the Company's record production and the continuing buoyancy in the market for iron ore fines and lumps. In the 2Q06, iron ore sales amounted to 59.703 million tons, up 12.7% on 2Q05 and setting a new quarterly record, beating in 3.696 million tons the sales of 4Q05.

As expected, pellet sales, of 7.438 million tons, were below sales recorded in 2Q05 (8.748 million tons) and in 1Q06 (7.767 million tons). The São Luís pellet plant remained shut down in 2Q06, but with the strength in demand picking up in the seaborne pellet market, the plant resumed operations in the second fortnight of July.

In 2Q06, the Company purchased 3.689 million tons of iron ore from mining operators located in the so-called Iron Quadrangle, in the state of Minas Gerais, to complement its production.

In this quarter, 20.427 million tons of iron ore and pellets sold, 30.4% of shipments, were sent to China, compared to 19.9% in 2Q05. Japan absorbed 9.2% of the volumes sold, Germany 8.0%, and France, 3.9%. Sales in Brazil accounted for 17.2% of total shipments.

In 1H06, sales of manganese ore amounted to 347,000 tons, while sales of ferro-alloys, 270,000 tons.

In 2Q06, manganese ore shipments were 198,000 tons and ferro-alloy sales were 144,000 tons, similar amounts to those shipped in 2Q05, which were respectively, 194,000 tons and 151,000 tons.

In 1H06, sales of ferrous minerals resulted in gross revenues of R\$12.410 billion, 4.2% higher than the figure in 1H05. EBITDA amounted to R\$6.596 billion, compared to R\$6.381 billion in 1H05.

Revenues from the shipment of ferrous minerals in 2Q06 totaled R\$6.638 billion, down 11% against the figure in 2Q05. This is explained by the BRL/USD negative exchange rate effect when reporting in Brazilian reais R\$873 million and by the difference in the price levels R\$301 million as in the 2Q05 was reflected 2Q06

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the retroactive price impact, more than compensating the positive effect of the increase in the sales volume R\$356 million.

In 2Q06, revenues from the sales of iron ore reached R\$5.130 billion, R\$1.208 billion from pellet sales, R\$17 million from pelletization services provided by the pellet plants in Tubarão, R\$26 million from the sales of manganese ore, and R\$275 million from the sales of ferro-alloys.

In 2Q06, EBIT margin in the ferrous minerals segment amounted to 50.8%. EBITDA generated by this segment was R\$3.656 billion, against R\$4.446 billion in 2Q05.

**SALES VOLUME IRON ORE AND PELLETS**

|              | thousand tons |              |               |              |               |              |
|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
|              | <b>2Q05</b>   | <b>%</b>     | <b>1Q06</b>   | <b>%</b>     | <b>2Q06</b>   | <b>%</b>     |
| Iron ore     | 52,969        | 85.8         | 54,860        | 87.6         | 59,703        | 88.9         |
| Pellets      | 8,748         | 14.2         | 7,767         | 12.4         | 7,438         | 11.1         |
| <b>Total</b> | <b>61,717</b> | <b>100.0</b> | <b>62,627</b> | <b>100.0</b> | <b>67,141</b> | <b>100.0</b> |

**VOLUME SOLD BY DESTINATION IRON ORE AND PELLETS**

|                          | million tons |              |             |              |             |              |
|--------------------------|--------------|--------------|-------------|--------------|-------------|--------------|
|                          | <b>2Q05</b>  | <b>%</b>     | <b>1Q06</b> | <b>%</b>     | <b>2Q06</b> | <b>%</b>     |
| <b>Americas</b>          | <b>12.5</b>  | <b>20.3</b>  | <b>11.7</b> | <b>18.7</b>  | <b>13.1</b> | <b>19.5</b>  |
| Brazil                   | 11.4         | 18.5         | 11.1        | 17.7         | 11.5        | 17.2         |
| USA                      | 1.1          | 1.8          | 0.6         | 1.0          | 1.6         | 2.4          |
| <b>Asia</b>              | <b>22.5</b>  | <b>36.5</b>  | <b>29.3</b> | <b>46.8</b>  | <b>31.4</b> | <b>46.7</b>  |
| China                    | 12.3         | 19.9         | 17.6        | 28.0         | 20.4        | 30.4         |
| Japan                    | 6.5          | 10.6         | 6.7         | 10.7         | 6.2         | 9.2          |
| Others                   | 3.7          | 6.0          | 5.0         | 8.0          | 4.7         | 7.0          |
| <b>Europe</b>            | <b>20.6</b>  | <b>33.4</b>  | <b>16.4</b> | <b>26.2</b>  | <b>17.6</b> | <b>26.2</b>  |
| Germany                  | 6.5          | 10.6         | 5.5         | 8.7          | 5.4         | 8.0          |
| France                   | 3.0          | 4.9          | 2.6         | 4.2          | 2.6         | 3.9          |
| Others                   | 11.1         | 17.9         | 8.3         | 13.3         | 9.7         | 14.4         |
| <b>Rest of the World</b> | <b>6.1</b>   | <b>9.8</b>   | <b>5.2</b>  | <b>8.3</b>   | <b>5.1</b>  | <b>7.5</b>   |
| <b>Total</b>             | <b>61.7</b>  | <b>100.0</b> | <b>62.6</b> | <b>100.0</b> | <b>67.1</b> | <b>100.0</b> |

**Aluminum products**

In 1H06, bauxite sales reached 2.164 million tons, sales of alumina amounted to 1.357 million tons, and shipments of primary aluminium totaled 249,000 tons. Gross revenue from the sale of products in the aluminium chain amounted to R\$2.597 billion, 31.9% over the figure in the 1H05. EBITDA was R\$1.208 billion, compared to R\$802 million in 1H05.

Alumina sales in 2Q06 amounted to 867,000 tons, a new quarterly record, up 136.2% on 2Q05, showing the conclusion of the ramp-up phase of the capacity expansion at the Barcarena refinery to 4.4 million tons a year, for which production was also a record, of one million tons.

Sales of primary aluminum, of 125,000 tons, were two thousand tons higher than in 2Q05, continuing to reflect the productivity gains at the smelter in Barcarena, where production reached 112,000 tons this quarter.

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Revenues from the sale of products in the aluminium chain in 2Q06 amounted to R\$1.544 billion. Larger alumina sales contributed with R\$429 million for the raise of R\$616 million in 2Q06 vis-à-vis 2Q05. Higher prices were responsible for R\$305 million while the BRL/USD exchange rate effect was negative in R\$109 million.

In 2Q06, EBIT margin amounted to 47.4%, while EBITDA totaled R\$772 million, up 121.6% to the 2Q05 figure, R\$348 million.

**Non-ferrous minerals**

In 1H06, sales of potash totaled 224,000 tons, sales of kaolin, 626,000 tons, and shipments of copper, 175,000 tons. Gross revenue generated by the sale of these products amounted to R\$994 million, up 24.2% on 1H05. EBITDA was R\$456 million, against R\$186 million in 1H05.

The better performance of copper concentrate sales was fundamental in bringing up the EBIT margin on the sales of non-ferrous minerals to 46.7%, while EBITDA amounted to R\$340 million, four times that obtained in the 2Q05, R\$83 million.

Shipments of copper concentrate in 2Q06 amounted to 105,000 tons, the same amount as in 2Q05, but up 35,000 tons in relation to 1Q06, due to the recovery in production at Sossego. Copper sales generated revenues of R\$447 million, almost double that reported in 2Q05, due to the higher price of copper concentrate.

In 2Q06, the volume of kaolin sold, of 305,000 tons, was in line with the sales in the same quarter a year earlier, of 303,000 tons. Revenues from this product amounted to R\$100 million, down 9.7% on 2Q05, because the higher price in US dollar terms was negatively impacted by the appreciation in the Brazilian Real.

The reduction in the planted land area in Brazil due to the drop in agricultural profitability, resulting from the appreciation of the Brazilian Real, lower soya prices seen since 2Q04 and higher input prices all resulted in a significant drop in potash consumption. At the same time the potash price, having reached a peak in 2Q05, began to decline as a result of the reduction in global demand.

Our potash sales in 2Q06 amounted to 120,000 tons, down 6.2% yoy. Revenue were R\$49 million, compared to the R\$76 million obtained in the 2Q05.

**SALES VOLUME ORES AND METALS**

|                    | thousand tons |             |             |
|--------------------|---------------|-------------|-------------|
|                    | <b>2Q05</b>   | <b>1Q06</b> | <b>2Q06</b> |
| Manganese          | 194           | 149         | 198         |
| Ferro alloys       | 151           | 126         | 144         |
| Copper concentrate | 105           | 70          | 105         |
| Potash             | 129           | 103         | 121         |
| Kaolin             | 303           | 321         | 305         |
| Bauxite            | 1,401         | 1,108       | 1,056       |
| Alumina            | 367           | 490         | 867         |
| Aluminum           | 123           | 124         | 125         |

**Logistics services**

The quest for productivity gains in railroad operations has resulted in greater energy efficiency as fuel consumption per gross ton kilometre went down 3.2% on the Estrada de Ferro Vitória a Minas and 6.3% on the Ferrovia Centro-Atlântica (FCA), remaining unchanged on the Estrada de Ferro Carajás, which already has the lowest fuel consumption of our three railroad systems.

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In 1H06, revenues from logistics services provided to clients were R\$1.599 billion, while EBITDA amounted to R\$568 million, compared to R\$1.572 billion and R\$656 million, respectively in 1H05.

The problems seen in Brazil's agricultural segment and the 8.4% drop in Brazil's steel production in the first half of the year had an adverse affect on the performance of CVRD's railroads, seeing that our main clients are in these sectors. In 2Q06, our railroads transported 7.962 billion net ton kilometres (ntk) of general freight for clients, 2.7% higher than the volume transported in 2Q05, of 7.755 billion ntk. The main cargoes transported were agricultural products, 47.3% of the total, inputs and products for the steel industry, 38.1%, and fuels, 6.5%.

CVRD's ports and maritime terminals handled 7.781 million tons of general freight in this quarter, against 8.280 million tons in 2Q05.

Logistics services for clients generated revenues of R\$896 million in 2Q06, up 5.7% yoy. Railroad transportation produced revenues of R\$689 million, while port services R\$127 million, and coastal shipping and ports support services, R\$80 million.

In 2Q06, EBIT margin in the logistics segment was 34.3%, while EBITDA amounted to R\$333 million compared to R\$364 million yoy.

**LOGISTICS SERVICES**

|                         | <b>2Q05</b> | <b>1Q06</b> | <b>2Q06</b> |
|-------------------------|-------------|-------------|-------------|
| Railroads (million ntk) | 7,755       | 6,170       | 7,962       |
| Ports (thousand tons)   | 8,280       | 6,189       | 7,781       |

**Steel**

In 1H06, revenues generated by our equity stakes in the steel industry amounted to R\$731 million, compared to R\$831 million in 1H05. EBITDA was R\$201 million, 9.2% higher the same period a year earlier.

In 2Q06, revenues from CVRD's equity stakes in the steel industry amounted to R\$382 million, in line with the revenues obtained in 2Q05. In this quarter, EBIT margin was 17.1%, while EBITDA totaled R\$135 million.

**EBITDA BY BUSINESS AREA**

|                      | R\$ million  |              |              |              |              |              |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                      | <b>2Q05</b>  | <b>%</b>     | <b>1Q06</b>  | <b>%</b>     | <b>2Q06</b>  | <b>%</b>     |
| Ferrous minerals     | 4,445        | 83.3         | 2,939        | 78.3         | 3,657        | 70.9         |
| Non-ferrous minerals | 83           | 1.5          | 117          | 3.1          | 340          | 6.6          |
| Logistics            | 364          | 6.8          | 235          | 6.3          | 333          | 6.5          |
| Aluminum             | 348          | 6.5          | 436          | 11.6         | 772          | 15.0         |
| Steel                | 120          | 2.2          | 66           | 1.8          | 135          | 2.6          |
| Others               | (27)         | -0.5         | (40)         | -1.1         | (83)         | -1.6         |
| <b>Total</b>         | <b>5,334</b> | <b>100.0</b> | <b>3,753</b> | <b>100.0</b> | <b>5,153</b> | <b>100.0</b> |

**CAPITAL EXPENDITURE**

CVRD's capex in 2Q06, calculated according to the generally accepted accounting principles in the United States based on the amount disbursed, reached US\$818 million, 27.4% less than the US\$1.126 billion expended in 1Q06 which included

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the acquisition of the assets of Rio Verde Mineração for US\$47 million and was at the same level as the 2Q05 capex of US\$821 million.

Total capital expenditure in the first half of the year was US\$1.944 billion, 39.8% higher than the capex of US\$1.391 billion in the first half of 2005.

Investment in organic growth projects and R&D totaled US\$518 million in the quarter, while stay-in-business capex reached US\$300 million. CVRD's investment in R&D in 2Q06 was US\$101 million, which compares with US\$81 million in the prior quarter and US\$43 million in 2Q05. This spending was concentrated on identifying new deposits of copper, coal, nickel and manganese, and in studies for projects (conceptual, pre-feasibility and feasibility). The new mine at Brucutu, in the Southern System, one of CVRD's most important iron ore projects, is starting pre-operational tests, and we expect it to start producing in August.

Start-up of operations at the 118 project, CVRD's second copper mine, is being delayed by a year due to extra time taken to acquire the license for implementation so that it is now scheduled to start operating only in 2009.

Shandong Yankuang International Coking Ltd, a Chinese producer of metallurgical coke, where the Company owns a 25% stake, started its operation in the end of June 2006. The estimated production capacity is 2 million tons per year of coke and 200,000 tons per year of methanol.

**Current projects at implementation phase**

| <b>Area</b>                 | <b>Project</b>  | <b>2006<br/>budget,<br/>US\$ MM</b> | <b>Status</b>  |
|-----------------------------|---|-------------------------------------|--|
| <b>Ferrous<br/>minerals</b> | Expansion of Carajás iron ore capacity to 85 Mtpy Northern System | 41                                  | This project will increase capacity by 15 million tons per year completion in 3Q06.  |
|                             | Expansion of Carajás iron ore mines to 100 Mtpy Northern System   | 289                                 | This project will increase CVRD's annual output capacity by 15 million tons, with conclusion planned for the second half of 2007. The Ponta da Madeira Port Terminal will be expanded, and Pier III will be extended, with a third ship loading unit and fourth shipment line. |
|                             | Brucutu iron ore mine Southern System                             | 310                                 | Completion of Phase I is expected in 2Q06, increasing nominal production capacity to 12 million tons per year. Phase II is scheduled for completion in 1Q07, bringing the mine's capacity to 24 million tons per year.   |
|                             | Fazendão iron ore mine Southern System                            | 39                                  | Project to produce 14 million tons of run-of-mine (ROM unprocessed) iron ore per year. The project makes Samarco's third pelletization plant viable. Work will start in 2H06, for completion and operational start-up in second half 2007.                                     |

Expansion of the  
Fábrica iron ore  
mine Southern  
System

Expansion by 5 million tons, from 12 to  
17 million tons per year, with start-up  
planned for 4Q07.

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|   |     |   |
|---|-----|---|
| Expansion of the Tubarão port Southern System | 20  | Project to expand the conveyor belt systems, patio machinery and new storage platforms, adding 10 million tons per year to the port's handling capacity. Conclusion planned for 1Q07.   |
| Itabiritos                                    | 338 | Construction of a pelletization plant in Minas Gerais state, with nominal annual production capacity of seven million tons, and an iron ore concentration plant. Start-up planned for second half 2008.   |
| Tubarão VIII                                  | 31  | Construction of pelletization plant, with nominal production capacity of 7 Mtpy in the Tubarão complex. Start-up planned for 2008. Subject to CVRD Board of Directors approval.   |
| <b>Non-ferrous minerals</b>                   |     |   |
| 118 copper mine                               | 21  | This project will have capacity to produce 36,000 tons per year of copper cathode. Key equipment has been ordered and start-up is scheduled for first half 2009. Proceedings to obtain the license for the project are in progress.   |
| Vermelho nickel mine                          | 97  | Estimated production capacity is 46,000 tons of metallic nickel and 2,800 tons of cobalt, per year. The main equipment has been ordered. EPCM (Engineering, Procurement, Construction Management) contracts were signed in December 2005. Proceedings to obtain environmental license are in progress. Start-up of the mine timetabled for fourth quarter 2008. |
| Paragominas I bauxite mine                    | 210 | The first phase of this mine will produce 5.4 million tons of bauxite per year starting in 1Q07. A 244-km ore pipeline will transport the bauxite to the Barcarena alumina refinery, in the Brazilian state of Pará. Its construction is planned for completion in December 2006.   |
| Stages 6 and 7 of Alunorte alumina            | 239 | This will increase Alunorte's capacity to 6.26Mtpy of alumina. Conclusion is planned for 2Q08.  |

|                             |  |     |  |
|-----------------------------|--|-----|--|
|                             | Paragominas II<br>bauxite mine   |     | The second phase of Paragominas will add 4.5Mtpy to the capacity of 5.4Mtpy resulting from the first phase. Conclusion timetabled for 2Q08.  |
| <b>Logistics</b>            | Railroads<br>(EFVM, EFC,<br>FCA):<br>acquisition of<br>locomotives and<br>wagons | 379 | In 2006, CVRD will acquire 22 locomotives, and 1,426 rail wagons 150 for general cargo and 1,276 to carry iron ore. All the locomotives will be used to haul iron ore.   |
| <b>Power<br/>generation</b> | Capim Branco I<br>and II<br>hydroelectric<br>power plants                        | 61  | Both are on the Araguari river in the state of Minas Gerais, and will have generation capacity, respectively, of 240MW and 210MW. Capim Branco I started operating in 1Q06. Capim Branco II is timetabled for start-up in 1Q07.  |
|                             | Estreito<br>hydroelectric<br>power<br>plant                                      | 68  | On the Tocantins river, on the border between the Brazilian states of Maranhão and Tocantins. Planned installed capacity of 1,087MW. Start of construction is planned for 2006, subject to obtaining installation license. First rotor is expected to start producing in second half 2009. |
| <b>Steel<br/>holdings</b>   | Ceará Steel  | 11  | Project for a steel slab plant in the state of Ceará in Brazil's Northeast region, with nominal capacity for 1.5 million tons per year. Start-up planned for 2009.   |
|                             | CSA  | 72  | Project for a steel slab plant in the state of Rio de Janeiro, with nominal capacity for 5 million tons per year, and start-up in the first half of 2009. CVRD's Board of Directors approved the investment in 1Q06.   |

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**Table of Contents****BR GAAP****TOTAL CAPEX BY BUSINESS AREA**

| <b>By business area</b> | <b>Actual, 2Q06</b> |               | <b>US\$ million</b> |               |
|-------------------------|---------------------|---------------|---------------------|---------------|
|                         |                     |               | <b>Actual, 2006</b> |               |
| Ferrous minerals        | 407                 | 49.8%         | 926                 | 47.6%         |
| Non-ferrous minerals    | 94                  | 11.6%         | 177                 | 9.1%          |
| Logistics               | 107                 | 13.0%         | 335                 | 17.2%         |
| Aluminum                | 131                 | 16.0%         | 349                 | 18.0%         |
| Coal                    | 21                  | 2.6%          | 29                  | 1.5%          |
| Energy                  | 20                  | 2.5%          | 45                  | 2.3%          |
| Steel holdings          | 6                   | 0.7%          | 14                  | 0.7%          |
| Other                   | 32                  | 3.9%          | 69                  | 3.6%          |
| <b>Total</b>            | <b>818</b>          | <b>100.0%</b> | <b>1,944</b>        | <b>100.0%</b> |

**CONFERENCE CALL AND WEBCAST**

CVRD will hold a conference call and webcast on August 4, at 12:00 midday Rio de Janeiro time, 11:00 am US Eastern Standard Time, 4:00 pm UK time. Instructions for participation are on the website [www.cvrd.com.br](http://www.cvrd.com.br), under Investor Relations. A recording will be available on CVRD's site for 90 days from August 4.

**FINANCIAL INDICATORS OF NON-CONSOLIDATED COMPANIES**

For selected financial indicators of the main companies not consolidated, see CVRD quarterly financial statements on [www.cvrd.com.br](http://www.cvrd.com.br), under Investor Relations.

**2Q06**

**Table of Contents****BR GAAP****FINANCIAL STATEMENTS**

|  | R\$ million   |              |               |
|--|---------------|--------------|---------------|
|  | <b>2Q05</b>   | <b>1Q06</b>  | <b>2Q06</b>   |
| <b>Gross operating revenues</b>                          | <b>10,051</b> | <b>8,281</b> | <b>10,131</b> |
| Taxes  | (500)         | (316)        | (351)         |
| <b>Net operating revenues</b>                            | <b>9,551</b>  | <b>7,965</b> | <b>9,780</b>  |
| Cost of goods sold                                       | (4,011)       | (3,944)      | (4,351)       |
| <b>Gross profit</b>                                      | <b>5,541</b>  | <b>4,021</b> | <b>5,429</b>  |
| Gross margin (%)   | 58.0          | 50.5         | 55.5          |
| <b>Operational expenses</b>                              | <b>(784)</b>  | <b>(781)</b> | <b>(910)</b>  |
| Sales  | (96)          | (105)        | (130)         |
| Administrative   | (308)         | (331)        | (381)         |
| Research and development                                 | (161)         | (156)        | (222)         |
| Other operational expenses                               | (220)         | (189)        | (176)         |
| <b>Operating profit before result from shareholdings</b> | <b>4,756</b>  | <b>3,240</b> | <b>4,520</b>  |
| <b>Result from shareholdings</b>                         | <b>77</b>     | <b>16</b>    | <b>(56)</b>   |
| Equity income  | 147           | 76           | 75            |
| Goodwill amortization                                    | (57)          | (38)         | (132)         |
| Others   | (13)          | (22)         |               |
| <b>Financial result</b>                                  | <b>82</b>     | <b>(259)</b> | <b>(466)</b>  |
| Financial expenses                                       | (247)         | (527)        | (557)         |
| Financial revenues                                       | 58            | 108          | 105           |
| Monetary variation                                       | 271           | 160          | (14)          |
| <b>Operating profit</b>                                  | <b>4,915</b>  | <b>2,997</b> | <b>3,996</b>  |
| Result of discontinued operations                        |               | 19           | 737           |
| Income tax and social contribution                       | 4,915         | 3,016        | 4,734         |
| Earnings before income tax and social contribution       | (1,061)       | (585)        | (593)         |
| Minority interest  | (375)         | (247)        | (234)         |
| <b>Net earnings</b>                                      | <b>3,479</b>  | <b>2,184</b> | <b>3,906</b>  |

**BALANCE SHEET**

|                     | R\$ million     |                 |                 |
|---------------------|-----------------|-----------------|-----------------|
|                     | <b>06/30/05</b> | <b>03/31/06</b> | <b>06/30/06</b> |
| <b>Asset</b>        |                 |                 |                 |
| Current             | 12,387          | 13,715          | 14,660          |
| Long term           | 4,106           | 4,551           | 4,998           |
| Fixed               | 30,462          | 41,917          | 43,540          |
| <b>Total</b>        | <b>46,954</b>   | <b>60,183</b>   | <b>63,198</b>   |
| <b>Liabilities</b>  |                 |                 |                 |
| Current             | 8,195           | 10,078          | 8,855           |
| Long term           | 12,918          | 16,292          | 16,393          |
| Others              | 2,579           | 2,085           | 2,370           |
| Shareholders equity | 23,262          | 31,727          | 35,579          |
| Paid-up capital     | 14,000          | 19,492          | 19,492          |
| Reserves            | 9,262           | 12,235          | 16,087          |
| <b>Total</b>        | <b>46,954</b>   | <b>60,182</b>   | <b>63,198</b>   |
| <b>2Q06</b>         |                 |                 |                 |



**Table of Contents****BR GAAP****CASH FLOW**

R\$ million

|   | <b>2Q05</b>    | <b>1Q06</b>    | <b>2Q06</b>    |
|---|----------------|----------------|----------------|
| <b>Cash flows from operating activities:</b>                                    |                |                |                |
| Net income  | 3,479          | 2,185          | 3,906          |
| Adjustments to reconcile net income with cash provided by operating activities: |                |                |                |
| Result from shareholdings   | (77)           | (16)           | 57             |
| Result from sale of investment  |                | (19)           | (737)          |
| Depreciation, depletion and amortization  | 384            | 420            | 446            |
| Deferred income tax and social contribution                                     | 53             | (77)           | 96             |
| Financial expenses and foreign exchange and monetary net variation              | (982)          | (654)          | 65             |
| Minority interest   | 375            | 246            | 234            |
| Impairment of property, plant and equipment                                     | 60             | 18             | 60             |
| Goodwill amortization in the COGS   | 96             | 92             | 94             |
| Net unrealized derivative losses  | (10)           | 158            | 107            |
| Dividends/interest attributed to stockholders received                          | 89             | 1              | 94             |
| Others  | 58             | 22             | (25)           |
| Decrease (increase) in assets:  |                |                |                |
| Accounts receivable   | (1,026)        | 492            | (896)          |
| Inventories   | (67)           | (188)          | 90             |
| Advanced pay to energy suppliers  | (143)          | (68)           | (67)           |
| Others  | (450)          | (404)          | 210            |
| Increase (decrease) in liabilities:   |                |                |                |
| Suppliers and contractors   | 278            | (842)          | 242            |
| Payroll and related charges   | 30             | (242)          | 110            |
| Taxes and Contributions   | 885            | (329)          | 268            |
| Others  | 288            | (285)          | (148)          |
| <b>Net cash provided by operating activities</b>                                | <b>3,323</b>   | <b>511</b>     | <b>4,205</b>   |
| Cash Flow from investing activities:  |                |                |                |
| Loans and advances receivable   | (43)           | 26             | (181)          |
| Guarantees and deposits   | (37)           | (52)           | (28)           |
| Additions to investments  | (208)          | (112)          |                |
| Additions to property, plant and equipment                                      | (1,926)        | (1,699)        | (2,434)        |
| Proceeds from disposals of investments/property, plant and equipment            | 4              | 48             | 970            |
| <b>Net cash used in investing activities</b>                                    | <b>(2,212)</b> | <b>(1,789)</b> | <b>(1,673)</b> |
| Cash flows from financing activities:   |                |                |                |
| Short-term debt, net issuances (repayments)                                     | 470            | 155            | (55)           |
| Long-term debt  | 342            | 3,091          | 28             |
| Financial institutions  | (1,138)        | (739)          | (450)          |
| Interest attributed to stockholders   | (1,280)        | (55)           | (1,378)        |
| Stock treasury  |                |                | (54)           |
| <b>Net cash used in financing activities</b>                                    | <b>(1,606)</b> | <b>2,452</b>   | <b>(1,908)</b> |
| Increase (decrease) in cash and cash equivalents                                | (496)          | 1,174          | 661            |
| Cash and equivalents, beginning of period                                       | 3,240          | 2,703          | 3,877          |
| <b>Cash and equivalents, end of period</b>                                      | <b>2,744</b>   | <b>3,877</b>   | <b>4,502</b>   |
| Cash paid during the period for:  |                |                |                |

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|  |       |       |       |
|--|-------|-------|-------|
| Interest on short-term debt  | (20)  | (8)   | (8)   |
| Interest on long-term debt   | (128) | (219) | (164) |
| Paid income tax and social contribution                            | (378) | (432) | (101) |
| Non-cash transactions:   |       |       |       |
| Additions to property, plant and equipment interest capitalization | 402   | (220) | 89    |
| Income tax and social contribution paid with credits               | (56)  | (82)  | (78)  |

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**BR GAAP**

This communication may include declarations which represent the expectations of the Company's Management about future results or events. All such declarations, when based on future expectations and not on historical facts, involve various risks and uncertainties. The Company cannot guarantee that such declarations turn out to be correct. Such risks and uncertainties include factors relative to the Brazilian economy and capital markets, which are volatile and may be affected by developments in other countries; factors relative to the iron ore business and its dependence on the steel industry, which is cyclical in nature; and factors relative to the high degree of competitiveness in industries in which CVRD operates. To obtain additional information on factors which could cause results to be different from those estimated by the Company, please consult the reports filed with the Comissão de Valores Mobiliários (CVM - Brazilian stock exchange regulatory authority) and the U.S. Securities and Exchange Commission - SEC, including the most recent Annual Report - CVRD Form 20F.

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**Table of Contents****A- Quarterly information**

(A free translation of the original in Portuguese relating to the Quarterly information prepared in thousands in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

**1- Balance Sheet****Periods ended June 30**

|   | Notes  | In thousands of reais |                          |                   |                            |
|---|--------|-----------------------|--------------------------|-------------------|----------------------------|
|   |        | 06/30/06              | Consolidated<br>03/31/06 | 06/30/06          | Parent Company<br>03/31/06 |
| <b>Assets</b>                               |        |                       |                          |                   |                            |
| <b>Current assets</b>                       |        |                       |                          |                   |                            |
| Cash and cash equivalents                   | 5.8    | 4,501,953             | 3,877,362                | 116,099           | 144,164                    |
| Accounts receivable from customers          | 5.9    | 4,527,871             | 3,670,235                | 2,243,382         | 2,071,977                  |
| Related parties                             | 5.10   | 22,626                | 220,847                  | 1,023,253         | 1,363,243                  |
| Inventories                                 | 5.11   | 3,342,975             | 3,488,755                | 1,331,895         | 1,377,421                  |
| Taxes to recover or offset                  | 5.12   | 787,265               | 966,031                  | 257,182           | 498,424                    |
| Deferred income tax and social contribution | 5.13   | 509,073               | 586,394                  | 425,575           | 506,555                    |
| Other                                       |        | 967,764               | 905,046                  | 288,664           | 333,830                    |
|   |        | <b>14,659,527</b>     | <b>13,714,670</b>        | <b>5,686,050</b>  | <b>6,295,614</b>           |
| <b>Non-current assets</b>                   |        |                       |                          |                   |                            |
| <b>Long-term receivables</b>                |        |                       |                          |                   |                            |
| Related parties                             | 5.10   | 14,226                | 18,566                   | 404,800           | 407,013                    |
| Loans and financing                         |        | 144,144               | 141,414                  | 107,170           | 105,448                    |
| Deferred income tax and social contribution | 5.13   | 945,081               | 994,339                  | 399,246           | 427,929                    |
| Judicial deposits                           | 5.17   | 1,953,963             | 1,722,990                | 1,284,908         | 1,068,188                  |
| Taxes to recover or offset                  | 5.12   | 314,494               | 214,280                  | 214,572           | 176,722                    |
| Asset for sale                              |        | 110,972               | 114,997                  |                   |                            |
| Advances to energy suppliers                | 5.4(f) | 861,575               | 794,789                  |                   |                            |
| Prepaid expenses                            |        | 264,010               | 109,399                  |                   |                            |
| Other                                       |        | 389,339               | 439,921                  | 24,321            | 10,637                     |
|   |        | <b>4,997,804</b>      | <b>4,550,695</b>         | <b>2,435,017</b>  | <b>2,195,937</b>           |
| <b>Investments</b>                          | 5.14   | <b>6,816,643</b>      | <b>7,008,981</b>         | <b>29,292,636</b> | <b>26,485,896</b>          |
| <b>Property, plant and equipment</b>        | 5.15   | <b>36,539,637</b>     | <b>34,696,174</b>        | <b>22,953,483</b> | <b>21,548,895</b>          |
| <b>Deferred charges</b>                     |        | <b>183,685</b>        | <b>211,531</b>           |                   |                            |
|   |        | <b>43,539,965</b>     | <b>41,916,686</b>        | <b>52,246,119</b> | <b>48,034,791</b>          |
|   |        | <b>63,197,296</b>     | <b>60,182,051</b>        | <b>60,367,186</b> | <b>56,526,342</b>          |
| <b>Liabilities and stockholders equity</b>  |        |                       |                          |                   |                            |
| <b>Current liabilities</b>                  |        |                       |                          |                   |                            |
| Short-term debt                             | 5.16   | 652,389               | 615,994                  |                   |                            |
| Current portion of long-term debt           | 5.16   | 2,514,229             | 2,746,618                | 621,121           | 771,617                    |
| Payable to suppliers and contractors        |        | 2,018,364             | 1,788,399                | 1,398,583         | 1,213,474                  |

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|   |      |                   |                   |                   |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
| Related parties                               | 5.10 | 73,040            | 62,457            | 4,279,199         | 4,126,936         |
| Payroll and related charges                   |      | 413,094           | 303,466           | 286,225           | 196,976           |
| Pension Plan Valia                            |      | 74,808            | 75,357            | 74,808            | 75,408            |
| Dividends and interest on stockholders equity | 5.21 | 1,440,843         | 2,961,312         | 1,357,850         | 2,750,150         |
| Taxes and contributions                       |      | 781,517           | 529,006           | 93,506            | 54,201            |
| Other   |      | 886,956           | 995,143           | 393,047           | 422,645           |
|   |      | <b>8,855,240</b>  | <b>10,077,752</b> | <b>8,504,339</b>  | <b>9,611,407</b>  |
| <b>Non-current liabilities</b>                |      |                   |                   |                   |                   |
| <b>Long-term liabilities</b>                  |      |                   |                   |                   |                   |
| Long-term debt                                | 5.16 | 10,576,743        | 10,768,483        | 2,049,055         | 2,113,611         |
| Related parties                               | 5.10 | 2,847             | 3,106             | 10,255,884        | 9,381,736         |
| Provisions for contingencies                  | 5.17 | 3,040,826         | 2,825,735         | 2,322,604         | 2,138,215         |
| Pension Plan Valia                            |      | 545,665           | 546,695           | 545,665           | 545,060           |
| Provision for asset retirement obligations    | 5.18 | 541,631           | 554,679           | 326,953           | 343,532           |
| Provisions for derivatives                    | 5.23 | 679,838           | 644,966           | 77,567            | 75,471            |
| Other   |      | 1,005,629         | 947,947           | 706,215           | 589,706           |
|   |      | <b>16,393,179</b> | <b>16,291,611</b> | <b>16,283,943</b> | <b>15,187,331</b> |
| <b>Deferred income</b>                        |      | <b>6,787</b>      | <b>7,603</b>      |                   |                   |
| <b>Minority interest</b>                      |      | <b>2,363,186</b>  | <b>2,077,481</b>  |                   |                   |
| <b>Stockholders equity</b>                    |      |                   |                   |                   |                   |
| Paid-up capital                               | 5.20 | 19,492,401        | 19,492,401        | 19,492,401        | 19,492,401        |
| Revenue reserves                              |      | 16,086,503        | 12,235,203        | 16,086,503        | 12,235,203        |
|   |      | <b>35,578,904</b> | <b>31,727,604</b> | <b>35,578,904</b> | <b>31,727,604</b> |
|   |      | <b>63,197,296</b> | <b>60,182,051</b> | <b>60,367,186</b> | <b>56,526,342</b> |

The additional information, notes and attachment I are an integral part of the quarterly information.

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(A free translation of the original in Portuguese relating to the Quarterly information prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

**2- Statement of Income**

Periods ended June 30

|                                       |                       | In thousands of reais |                    |                    |                    |                    |                    |                    |
|---------------------------------------|-----------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                       |                       |                       |                    | Quarter            | Consolidated       |                    | Parent Company     |                    |
|                                       | Notes                 | 2Q/06                 | 1Q/06              | 2Q/05              | 06/30/06           | 06/30/05           | 06/30/06           | 06/30/05           |
| <b>Operating revenues</b>             | 8.1.1<br>and<br>8.2.1 |                       |                    |                    |                    |                    |                    |                    |
| <b>Revenues of ore and metals</b>     |                       |                       |                    |                    |                    |                    |                    |                    |
| Iron ore and pellets                  |                       | 6,354,472             | 5,498,489          | 7,027,883          | 11,852,961         | 10,969,421         | 7,232,217          | 7,040,421          |
| Manganese and ferroalloys             |                       | 300,246               | 256,362            | 442,982            | 556,608            | 941,221            |                    |                    |
| Copper                                |                       | 447,328               | 241,738            | 228,570            | 689,066            | 428,550            | 460,841            | 392,841            |
| Waste                                 |                       | 49,377                | 48,888             | 75,506             | 98,265             | 155,879            | 98,265             | 155,879            |
| Other                                 |                       | 100,151               | 106,327            | 110,955            | 206,478            | 215,531            |                    |                    |
|                                       |                       | <b>7,251,574</b>      | <b>6,151,804</b>   | <b>7,885,896</b>   | <b>13,403,378</b>  | <b>12,710,602</b>  | <b>7,791,323</b>   | <b>7,589,141</b>   |
| Transport services                    |                       | 895,968               | 703,644            | 847,967            | 1,599,612          | 1,572,430          | 902,429            | 842,921            |
| Revenues of aluminum-related products |                       | 1,544,296             | 1,052,552          | 928,170            | 2,596,848          | 1,968,138          | 20,889             | 98,790             |
| Revenues of steel products            |                       | 381,832               | 348,909            | 378,697            | 730,741            | 830,850            |                    |                    |
| Other products and services           |                       | 56,995                | 24,215             | 10,718             | 81,210             | 21,791             | 38,215             | 21,564             |
|                                       |                       | <b>10,130,665</b>     | <b>8,281,124</b>   | <b>10,051,448</b>  | <b>18,411,789</b>  | <b>17,103,811</b>  | <b>8,752,856</b>   | <b>8,552,420</b>   |
| Value Added taxes                     |                       | (350,794)             | (315,852)          | (499,993)          | (666,646)          | (831,783)          | (479,643)          | (486,788)          |
| <b>Net operating revenues</b>         |                       | <b>9,779,871</b>      | <b>7,965,272</b>   | <b>9,551,455</b>   | <b>17,745,143</b>  | <b>16,272,028</b>  | <b>8,273,213</b>   | <b>8,065,632</b>   |
| <b>Cost of products and services</b>  | 8.1.1<br>and<br>8.2.1 |                       |                    |                    |                    |                    |                    |                    |
| Iron ore and metals                   |                       | (2,815,494)           | (2,598,146)        | (2,619,094)        | (5,413,640)        | (5,024,506)        | (4,435,139)        | (4,147,292)        |
| Transport services                    |                       | (426,850)             | (452,964)          | (489,874)          | (879,814)          | (930,669)          | (342,789)          | (290,784)          |
| Aluminum-related products             |                       | (761,378)             | (600,677)          | (543,775)          | (1,362,055)        | (1,093,067)        | (89,553)           | (50,940)           |
| Steel products                        |                       | (308,211)             | (278,906)          | (352,156)          | (587,117)          | (735,816)          |                    |                    |
| Other products and services           |                       | (38,789)              | (14,017)           | (5,761)            | (52,806)           | (11,581)           | (15,403)           | (14,283)           |
|                                       |                       | <b>(4,350,722)</b>    | <b>(3,944,710)</b> | <b>(4,010,660)</b> | <b>(8,295,432)</b> | <b>(7,795,639)</b> | <b>(4,882,884)</b> | <b>(4,503,305)</b> |
| <b>Gross profit</b>                   |                       | <b>5,429,149</b>      | <b>4,020,562</b>   | <b>5,540,795</b>   | <b>9,449,711</b>   | <b>8,476,389</b>   | <b>3,390,329</b>   | <b>3,562,327</b>   |
| <b>Gross margin</b>                   |                       | <b>55.5%</b>          | <b>50.5%</b>       | <b>58.0%</b>       | <b>53.3%</b>       | <b>52.1%</b>       | <b>41.0%</b>       | <b>44.2%</b>       |
| <b>Operating expenses</b>             |                       |                       |                    |                    |                    |                    |                    |                    |

|                                    |      |                  |                  |                    |                    |                    |                  |                  |
|------------------------------------|------|------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| ing and                            |      |                  |                  |                    |                    |                    |                  |                  |
| Administrative                     | 5.24 | (511,794)        | (435,793)        | (403,106)          | (947,587)          | (760,804)          | (414,099)        | (285,390)        |
| Research and                       |      | (222,030)        | (156,058)        | (161,446)          | (378,088)          | (242,575)          | (235,122)        | (174,887)        |
| Development                        |      |                  |                  |                    |                    |                    |                  |                  |
| Other operating                    | 5.24 | (175,902)        | (188,825)        | (219,770)          | (364,727)          | (340,638)          | (244,775)        | (177,401)        |
| expenses                           |      |                  |                  |                    |                    |                    |                  |                  |
|                                    |      | <b>(909,726)</b> | <b>(780,676)</b> | <b>(784,322)</b>   | <b>(1,690,402)</b> | <b>(1,344,017)</b> | <b>(893,996)</b> | <b>(637,684)</b> |
| <b>Operating profit</b>            |      |                  |                  |                    |                    |                    |                  |                  |
| <b>Core financial results</b>      |      |                  |                  |                    |                    |                    |                  |                  |
| <b>Financial results of equity</b> |      |                  |                  |                    |                    |                    |                  |                  |
| <b>Investments</b>                 |      | <b>4,519,423</b> | <b>3,239,886</b> | <b>4,756,473</b>   | <b>7,759,309</b>   | <b>7,132,372</b>   | <b>2,496,333</b> | <b>2,924,651</b> |
| <b>Results of equity</b>           |      |                  |                  |                    |                    |                    |                  |                  |
| <b>Investments</b>                 | 5.14 | <b>(57,280)</b>  | <b>16,410</b>    | <b>76,889</b>      | <b>(40,870)</b>    | <b>150,408</b>     | <b>4,111,198</b> | <b>2,413,130</b> |
| Gain on investments                |      |                  |                  |                    |                    |                    |                  |                  |
| Accounted for by the               |      |                  |                  |                    |                    |                    |                  |                  |
| equity method                      |      | 75,422           | 76,774           | 146,831            | 152,196            | 277,190            | 4,950,619        | 3,261,237        |
| Amortization of                    |      |                  |                  |                    |                    |                    |                  |                  |
| goodwill                           |      | (132,256)        | (37,941)         | (57,270)           | (170,197)          | (114,540)          | (170,197)        | (114,540)        |
| Provision for losses               |      |                  |                  |                    |                    |                    | (58,095)         | (36,311)         |
| Change variation in                |      |                  |                  |                    |                    |                    |                  |                  |
| shareholders' equity of            |      |                  |                  |                    |                    |                    |                  |                  |
| companies abroad                   |      | (446)            | (22,423)         | (12,672)           | (22,869)           | (12,242)           | (611,129)        | (697,250)        |
| <b>Financial results, net</b>      | 5.22 | <b>(466,405)</b> | <b>(259,054)</b> | <b>81,871</b>      | <b>(725,459)</b>   | <b>(192,576)</b>   | <b>(33,925)</b>  | <b>455,448</b>   |
| <b>of assets</b>                   | 5.7  | <b>736,866</b>   | <b>19,326</b>    |                    | <b>756,192</b>     |                    | <b>19,326</b>    |                  |
| <b>Income before income</b>        |      |                  |                  |                    |                    |                    |                  |                  |
| <b>and social</b>                  |      |                  |                  |                    |                    |                    |                  |                  |
| <b>contribution</b>                |      | <b>4,732,604</b> | <b>3,016,568</b> | <b>4,915,233</b>   | <b>7,749,172</b>   | <b>7,090,204</b>   | <b>6,592,932</b> | <b>5,793,235</b> |
| <b>Income tax and social</b>       |      |                  |                  |                    |                    |                    |                  |                  |
| <b>contribution</b>                | 5.13 | <b>(593,102)</b> | <b>(585,334)</b> | <b>(1,060,879)</b> | <b>(1,178,436)</b> | <b>(1,451,423)</b> | <b>(503,273)</b> | <b>(698,760)</b> |
| <b>Income before</b>               |      |                  |                  |                    |                    |                    |                  |                  |
| <b>minority interests</b>          |      | <b>4,139,502</b> | <b>2,431,234</b> | <b>3,854,354</b>   | <b>6,570,736</b>   | <b>5,638,781</b>   | <b>6,089,659</b> | <b>5,094,475</b> |
| <b>minority interests</b>          |      | <b>(234,405)</b> | <b>(246,672)</b> | <b>(375,069)</b>   | <b>(481,077)</b>   | <b>(544,306)</b>   |                  |                  |
| <b>Income for the</b>              |      |                  |                  |                    |                    |                    |                  |                  |
| <b>period</b>                      |      | <b>3,905,097</b> | <b>2,184,562</b> | <b>3,479,285</b>   | <b>6,089,659</b>   | <b>5,094,475</b>   | <b>6,089,659</b> | <b>5,094,475</b> |
| <b>Number of shares</b>            |      |                  |                  |                    |                    |                    |                  |                  |
| <b>standing at the end</b>         | 5.19 |                  |                  |                    |                    |                    |                  |                  |
| <b>of the period (in</b>           | and  |                  |                  |                    |                    |                    |                  |                  |
| <b>thousands)</b>                  | 5.20 | <b>2,430,062</b> | <b>2,431,343</b> | <b>2,303,040</b>   | <b>2,430,062</b>   | <b>2,303,040</b>   | <b>2,430,062</b> | <b>2,303,040</b> |
| <b>Basic earnings per share</b>    |      |                  |                  |                    |                    |                    |                  |                  |
| <b>standing at the end</b>         |      |                  |                  |                    |                    |                    |                  |                  |
| <b>of the period (R\$)</b>         |      | <b>1.61</b>      | <b>0.90</b>      | <b>1.51</b>        | <b>2.51</b>        | <b>2.21</b>        | <b>2.51</b>      | <b>2.21</b>      |

The notes and attachment I are an integral part of the quarterly information.



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(A free translation of the original in Portuguese relating to the Quarterly information prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

**3- Statement of Changes in Stockholders Equity**

ended June 30

|                   |       |                    |                           |             |                      |                 |  |                      | In thousands of |
|-------------------|-------|--------------------|---------------------------|-------------|----------------------|-----------------|--|----------------------|-----------------|
|                   | Notes | Paid-up<br>capital | Expansion/<br>Investments | Depletion   | Unrealized<br>income | Legalincentives | Revenue reserves<br>Fiscal Treasury<br>stock | Retained<br>earnings |                 |
| ber 31, 2004      |       | 7,300,000          | 8,206,978                 | 1,004,166   | 345,728              | 1,403,117       | 40,663 (131,318)                             |                      | 18,16           |
| ome for the year  |       |                    |                           |             |                      |                 |  | 10,442,986           | 10,44           |
| ization of        |       | 6,700,000          | (5,129,319)               | (1,004,166) |                      | (525,853)       | (40,662)                                     |                      |                 |
| s                 |       |                    |                           |             | (109,561)            |                 |  | 109,561              |                 |
| tion of reserves  |       |                    |                           |             |                      |                 |  |                      |                 |
| ge Samitri        |       |                    |                           |             |                      |                 |  |                      |                 |
| ry stock          |       |                    |                           |             |                      |                 |  | 21                   |                 |
| riations:         |       |                    |                           |             |                      |                 |  | (3)                  |                 |
| interest on       |       |                    |                           |             |                      |                 |  |                      |                 |
| olders equity     |       |                    |                           |             |                      |                 |  | (783,387)            | (78             |
| dividends         |       |                    |                           |             |                      |                 |  | (1,028,160)          | (1,02           |
| onal remuneration |       |                    |                           |             |                      |                 |  | (2,750,150)          | (2,75           |
| ed                |       |                    |                           |             |                      |                 |  |                      |                 |
| riation to        |       |                    |                           |             |                      |                 |  |                      |                 |
| e reserves        |       |                    | 5,385,337                 |             |                      | 522,149         | 83,364                                       | (5,990,850)          |                 |
| ber 31, 2005      |       | 14,000,000         | 8,462,996                 |             | 236,167              | 1,399,413       | 83,365 (131,300)                             |                      | 24,05           |
| Increase          | 5.20  | 5,492,401          |                           |             |                      |                 |  |                      | 5,49            |
| ome for the       |       |                    |                           |             |                      |                 |  | 2,184,562            | 2,18            |
| 31, 2006          |       | 19,492,401         | 8,462,996                 |             | 236,167              | 1,399,413       | 83,365 (131,300)                             | 2,184,562            | 31,72           |
| ome for the       |       |                    |                           |             |                      |                 |  | 3,905,097            | 3,90            |
| ry stock          |       |                    |                           |             |                      |                 |  | (53,797)             | (5              |
| 0, 2006           |       | 19,492,401         | 8,462,996                 |             | 236,167              | 1,399,413       | 83,365 (185,097)                             | 6,089,659            | 35,57           |

The notes and attachment I are an integral part of the quarterly information.

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(A free translation of the original in Portuguese relating to the Quarterly information prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

**4- Statement of Cash Flows**

| Periods ended June 30  | In thousands of reais |                  |                  |   |   |   |   |
|--|-----------------------|------------------|------------------|---|---|---|---|
|  | 2Q/06                 | 1Q/06            | Quarter<br>2Q/05 | Consolidated<br>Accumulated<br>06/30/06 | Consolidated<br>Accumulated<br>06/30/05 | Parent Company<br>Accumulated<br>06/30/06 | Parent Company<br>Accumulated<br>06/30/05 |
| <b>Cash flows from operating activities:</b>   |                       |                  |                  |   |   |   |   |
| Net income for the period  | 3.905.097             | 2.184.562        | 3.479.285        | 6.089.659                               | 5.094.475                               | 6.089.659                                 | 5.094.475                                 |
| Adjustments to reconcile net income for the period with cash provided by operating activities: |                       |                  |                  |   |   |   |   |
| Results of equity investments  | 57.280                | (16.410)         | (76.889)         | 40.870                                  | (150.408)                               | (4.111.198)                               | (2.413.136)                               |
| Sale of assets   | (736.866)             | (19.326)         |                  | (756.192)                               |   | (19.326)                                  |   |
| Depreciation, amortization and depletion   | 445.923               | 420.329          | 384.488          | 866.252                                 | 769.513                                 | 465.626                                   | 415.866                                   |
| Deferred income tax and social contribution  | 95.560                | (76.550)         | 52.590           | 19.010                                  | (60.719)                                | (67.953)                                  | (36.459)                                  |
| Financial expenses and monetary and exchange rate variations on assets and liabilities, net    | 64.191                | (653.868)        | (981.548)        | (589.677)                               | (935.257)                               | (452.305)                                 | (591.177)                                 |
| Minority interest  | 234.405               | 246.672          | 375.069          | 481.077                                 | 544.306                                 |   |   |
| Disposal of property, plant and equipment  | 60.059                | 18.653           | 60.382           | 78.712                                  | 75.629                                  | 33.464                                    | 21.202                                    |
| Amortization of goodwill in the cost of products sold  | 94.090                | 91.987           | 96.095           | 186.077                                 | 192.190                                 | 183.974                                   | 192.190                                   |
| Net losses on derivatives  | 107.435               | 157.681          | (10.321)         | 265.116                                 | (5.726)                                 | 25.707                                    | (511)                                     |
| Dividends/interest on stockholders equity received   | 93.786                | 1.327            | 88.922           | 95.113                                  | 88.922                                  | 826.113                                   | 598.001                                   |
| Other  | (24.506)              | 22.018           | 57.532           | (2.488)                                 | (23.795)                                | 62.886                                    | 3.886                                     |
|  | <b>4.396.454</b>      | <b>2.377.075</b> | <b>3.525.605</b> | <b>6.773.529</b>                        | <b>5.589.130</b>                        | <b>3.036.647</b>                          | <b>3.284.337</b>                          |
| <b>Decrease (increase) in assets:</b>  |                       |                  |                  |   |   |   |   |
| Accounts receivable  | (895.971)             | 492.456          | (1.025.615)      | (403.515)                               | (1.363.451)                             | (205.264)                                 | (341.567)                                 |
| Inventories  | 89.591                | (188.357)        | (67.305)         | (98.766)                                | (137.204)                               | (109.505)                                 | (193.763)                                 |
|  | (66.786)              | (67.562)         | (142.886)        | (134.348)                               |   |   |   |

|  |                    |                    |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Advances to energy suppliers   |                    |                    |                    |                    |                    |                    |                    |
| Other  | 210.128            | (404.070)          | (449.748)          | (193.942)          | (714.961)          | 163.256            | (457.701)          |
|  | <b>(663.038)</b>   | <b>(167.533)</b>   | <b>(1.685.554)</b> | <b>(830.571)</b>   | <b>(2.215.616)</b> | <b>(151.513)</b>   | <b>(993.031)</b>   |
| <b>Increase (decrease) in liabilities:</b>                           |                    |                    |                    |                    |                    |                    |                    |
| Suppliers and contractors  | 242.012            | (841.968)          | 278.468            | (599.956)          | 327.085            | (368.940)          | 399.755            |
| Payroll and related charges and Other                                | 109.629            | (241.710)          | 30.438             | (132.081)          | (63.827)           | (138.242)          | (62.998)           |
| Taxes and contributions  | 267.800            | (329.416)          | 885.434            | (61.616)           | 306.558            | 479                | 510.992            |
| Other  | (147.612)          | (285.510)          | 288.291            | (433.122)          | 31.537             | (376.093)          | 95.724             |
|  | <b>471.829</b>     | <b>(1.698.604)</b> | <b>1.482.631</b>   | <b>(1.226.775)</b> | <b>601.353</b>     | <b>(882.796)</b>   | <b>943.473</b>     |
| <b>Net cash provided by operating activities</b>                     | <b>4.205.245</b>   | <b>510.938</b>     | <b>3.322.682</b>   | <b>4.716.183</b>   | <b>3.974.867</b>   | <b>2.002.338</b>   | <b>3.234.779</b>   |
| <b>Cash flows from investing activities:</b>                         |                    |                    |                    |                    |                    |                    |                    |
| Loans and advances receivable  | (180.756)          | 25.771             | (43.441)           | (154.985)          | (31.411)           | 83.684             | (50.554)           |
| Guarantees and deposits  | (28.305)           | (51.764)           | (37.493)           | (80.069)           | (89.053)           | (59.413)           | (25.074)           |
| Additions to investments   |                    | (112.081)          | (208.400)          | (112.081)          | (218.582)          | (3.140.402)        | (602.265)          |
| Additions to property, plant and equipment                           | (2.434.198)        | (1.699.135)        | (1.926.388)        | (4.133.333)        | (3.681.652)        | (2.926.093)        | (2.621.146)        |
| Net cash used in acquisitions and increase of funds to subsidiaries  |                    |                    |                    |                    |                    |                    |                    |
| Proceeds from disposal of property, plant and equipment/ investments | 970.440            | 48.353             | 3.584              | 1.018.793          | 10.061             | 63.702             | 10.061             |
| <b>Net cash used in financing activities</b>                         | <b>(1.672.819)</b> | <b>(1.788.856)</b> | <b>(2.212.138)</b> | <b>(3.461.675)</b> | <b>(4.010.637)</b> | <b>(5.978.522)</b> | <b>(3.288.978)</b> |
| <b>Cash flows from financing activities:</b>                         |                    |                    |                    |                    |                    |                    |                    |
| Short-term debt  | (54.637)           | 155.180            | 469.987            | 100.543            | 690.839            | (97.606)           | 1.322.016          |
| Long-term debt   | 27.965             | 3.090.699          | 341.618            | 3.118.664          | 1.067.437          | 5.923.127          | 1.157.767          |
| Repayments:  |                    |                    |                    |                    |                    |                    |                    |
| Related parties  |                    |                    |                    |                    |                    |                    | (497.986)          |
| Financial institutions   | (449.775)          | (739.096)          | (1.138.189)        | (1.188.871)        | (1.615.536)        | (418.608)          | (713.291)          |
| Interest on stockholders equity paid to stockholders                 | (1.377.591)        | (54.755)           | (1.279.900)        | (1.432.346)        | (1.279.900)        | (1.392.300)        | (1.279.900)        |
| Treasure stock   | (53.797)           |                    |                    | (53.797)           |                    | (53.797)           |                    |



|  |                    |                  |                    |                  |                    |                  |                 |
|--|--------------------|------------------|--------------------|------------------|--------------------|------------------|-----------------|
| <b>Net cash provided by (used in) financing activities</b>     | <b>(1.907.835)</b> | <b>2.452.028</b> | <b>(1.606.484)</b> | <b>544.193</b>   | <b>(1.137.160)</b> | <b>3.960.816</b> | <b>(11.394)</b> |
| <b>Increase (decrease) in cash and cash equivalents</b>        | <b>624.591</b>     | <b>1.174.110</b> | <b>(495.940)</b>   | <b>1.798.701</b> | <b>(1.172.930)</b> | <b>(15.368)</b>  | <b>(65.593)</b> |
| Cash and cash equivalents, beginning of the period             | 3.877.362          | 2.703.252        | 3.239.768          | 2.703.252        | 3.916.758          | 131.467          | 305.927         |
| <b>Cash and cash equivalents, end of the period</b>            | <b>4.501.953</b>   | <b>3.877.362</b> | <b>2.743.828</b>   | <b>4.501.953</b> | <b>2.743.828</b>   | <b>116.099</b>   | <b>240.334</b>  |
| <b>Cash paid during the period for:</b>                        |                    |                  |                    |                  |                    |                  |                 |
| Short-term interest  | (8.170)            | (7.875)          | (19.680)           | (16.045)         | (21.224)           | (9.488)          |                 |
| Long-term interest   | (164.077)          | (219.143)        | (128.388)          | (383.220)        | (354.512)          | (194.715)        | (133.776)       |
| Income tax and social contribution                             | (101.492)          | (431.936)        | (378.927)          | (533.428)        | (589.068)          | (386.892)        | (396.246)       |
| <b>Non-cash transactions:</b>                                  |                    |                  |                    |                  |                    |                  |                 |
| Additions to property, plant and equipment                     |                    |                  |                    |                  |                    |                  |                 |
| interest capitalization  | 88.562             | (220.168)        | 402.249            | (131.606)        | 375.457            | (139.156)        | 144.297         |
| Transfer of advance for future capital increase to investments |                    |                  |                    |                  |                    | (253.720)        | (506.880)       |
| Compensated income tax and social contribution                 | (77.646)           | (82.078)         | (56.159)           | (159.724)        | (104.840)          | (51.509)         | (16.045)        |

**The notes and attachment I are an integral part of the quarterly information.**

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(A free translation of the original in Portuguese relating to the Quarterly information prepared in accordance with the requirements of Accounting Practices Generally Accepted in Brazil)

**5- Notes to the Quarterly information at June 30, 2006 and 2005**

Expressed In thousands of *reais*

**5.1- Operations**

Companhia Vale do Rio Doce is a publicly traded corporation whose predominant activities are mining, processing and sale of iron ore, pellets, copper and potash, as well as logistic services, power generation and mineral research and development. In addition, through its direct and indirect subsidiaries and jointly controlled companies, CVRD operates in iron ore, pellets, manganese, ferroalloys, kaolin, steel, aluminum-related products and logistics.

**5.2- Presentation of Quarterly information**

The quarterly information have been prepared in conformity with accounting practices followed in Brazil, based on corporate legislation, as well as the rules and guidelines issued by the Comissão de Valores Mobiliários CVM (Brazilian Securities Commission).

**5.3- Principles and Practices of Consolidation**

The consolidated quarterly information shows the balances of assets and liabilities on June 30 and March 31, 2006 and the operations of the Parent Company, its direct and indirect subsidiaries and its jointly-controlled companies for the periods ended on June 30, 2006, March 31, 2006 and June 30, 2005;

Intercompany balances and the Parent Company's investments in its direct and indirect subsidiaries and jointly controlled companies were eliminated in the consolidation. Minority interests are shown separately on the balance sheet and statement of income;

In the case of investments in companies in which the control is shared with other stockholders, the components of assets and liabilities and revenues and expenses are included in the consolidated quarterly information in proportion to the participation of the Parent Company in the capital of each investee; and

The principal figures of the subsidiaries and jointly controlled companies included in the consolidation are presented in Attachment I.

**5.4- Significant Accounting Policies**

- (a) The Company adopts the accrual basis of accounting;
- (b) Assets and liabilities that are realizable or due more than twelve months after the quarterly information date are classified as non-current;
- (c) Marketable securities, classified as cash and cash equivalents are represented by less than 90 days applications and are stated at cost plus accrued income earned to the quarterly information date;
- (d) Inventories are stated at average purchase or production cost, and imports in transit at the cost of each item, not exceeding market or realizable value;
- (e) Assets and liabilities in foreign currencies are translated at exchange rates in effect at the quarterly information date, and those in local currency, when applicable, are restated based on contractual indices;
- (f) Amounts given in advance to Centrais Elétricas do Norte do Brasil S.A. Eletronorte due to long term contract to supply energy, are classified as Advances to energy suppliers, in long-term receivables;
- (g) Investments in subsidiaries, jointly-controlled companies and affiliated companies are accounted for by the equity method, based on the stockholders' equity of the investees, and when applicable increased/decreased by goodwill and negative goodwill to be amortized and provision for losses. Other investments are recorded at cost, less provision for losses when applicable. In the consolidated the exchange rate effect over stockholders equity from investees abroad are classified as monetary and exchange rate variation included as financial results, net;

- (h) Property, plant and equipment, including interest incurred during the construction period of large-scale projects, are recorded at historical cost (increased by monetary restatement up to 1995) and depreciated on the straight-line method, based on the useful lives of the assets. Depletion of mineral reserves is based on the ratio between effective production and estimated capacity;
- (i) Research and development costs are incurred as operational expenses until the proof of its economical feasibility to exploit commercially a mine. After this proof, the costs are capitalized as part of the costs of building and the development;
- (j) During the development of a mine, stripping costs incurred are capitalized as part of the depreciable cost of developing the mine. Post-production stripping costs are recorded as cost of sales;
- (k) Pre-operating costs except for financial charges capitalized as mentioned in (h) above, are deferred and amortized over a period of 10 years. The deferred charges (consolidated) refer basically to copper projects and expansion of Alunorte and Albras; and

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- (l) CVRD follows the accounting practices laid down by to Deliberation CVM 371/00 related to the recognition of liabilities and results from actuarial valuation of employees pension plan.

**5.5- Accounting Pronouncements Recently-issued by Comissão de Valores Mobiliários (CVM)**

- (a) On June 19, 2006 CVM issued Deliberation No. 505, which approved IBRACON Pronouncement NPC 10 Subsequent events to the balance sheet date (correlation to IAS No.10) about the moment a company must adjust its financial statements in relation to subsequent events after the balance sheet date and the information the company must disclose about the date it was given permission to finish the preparation of its financial statements. The application of this pronouncement shall be effective on 01/01/07 or after and its early application is recommended; and
- (b) On the same date CVM issued Deliberation No. 506, which approved IBRACON Pronouncement NPC 12 Accounting policies, changes in accounting estimates and errors occurred in previous periods or years (correlation to IAS No. 8) about the criteria of accounting policies as well as the accounting treatment and the disclosure of the changes in accounting estimates and errors, in order for the companies to prepare and disclose the financial statements on the same basis. The application of this pronouncement shall be effective on 01/01/07 or after and its early application is recommended.

**5.6- Stock Merger CAEMI**

At the Extraordinary General Shareholders Meeting held on March 31, 2006 the merger of outstanding shares issued by Caemi Mineração e Metalurgia Caemi into the assets of CVRD, was approved with the issuance by CVRD of 64,151,361 (128,302,722 after the split) preferred shares class A.

CVRD held 100% of the common shares of Caemi and 40.06% of the preferred shares, totaling 60.23% of its Capital. After the merger, became wholly owned subsidiary of CVRD.

If CVRD owned 100% of Caemi shares in the periods presented our results would be as follows:

|   |                  |                                 | 1Q/06                    |                  | Quarter<br>2Q/05                         |                                  |
|---|------------------|---------------------------------|--------------------------|------------------|--|----------------------------------|
|   | Consolidated     | Caemi<br>Additional<br>(39.77%) | Pro Forma<br>(unaudited) | Consolidated     | Caemi<br>Additional<br>(39.77%)          | Pro Forma<br>(unaudited)         |
| Operating results                                   | 3,017            |                                 | 3,017                    | 4,915            |  | 4,915                            |
| Income tax and social contribution                  | (585)            |                                 | (585)                    | (1,061)          |  | (1,061)                          |
| Minority interests                                  | (247)            | 117                             | (130)                    | (375)            | 189                                      | (186)                            |
| <b>Net income</b>                                   | <b>2,185</b>     | <b>117</b>                      | <b>2,302</b>             | <b>3,479</b>     | <b>189</b>                               | <b>3,668</b>                     |
| <b>Number of shares outstanding ( in thousands)</b> | <b>2,303,040</b> |                                 | <b>2,431,343</b>         | <b>2,303,040</b> |  | <b>2,431,343</b>                 |
| <b>Net earnings per share outstanding</b>           | <b>0.95</b>      |                                 | <b>0.95</b>              | <b>1.51</b>      |  | <b>1.51</b>                      |
|   |                  |                                 |                          |                  |  | <b>Accumulated<br/>06/30/05</b>  |
|   |                  |                                 | <b>Consolidated</b>      |                  | <b>Caemi<br/>Additional<br/>(39.77%)</b> | <b>Pro Forma<br/>(unaudited)</b> |
| Operating result                                    |                  |                                 | 7,090                    |                  |  | 7,090                            |
| Income tax and social contribution                  |                  |                                 | (1,452)                  |                  |  | (1,452)                          |

|   |                  |            |                  |
|---|------------------|------------|------------------|
| Minority interests                                  | (544)            | 253        | (291)            |
| <b>Net income</b>                                   | <b>5,094</b>     | <b>253</b> | <b>5,347</b>     |
| <b>Number of shares outstanding ( in thousands)</b> | <b>2,303,040</b> |            | <b>2,431,343</b> |
| <b>Net earnings per share outstanding</b>           | <b>2.21</b>      |            | <b>2.20</b>      |

**5.7- Acquisition and Divestment**

On July 3, 2006 Vale do Rio Doce acquired 45.5% of Valesul Alumínio S.A. Valesul, an aluminum smelter, for R\$60 million becoming Vale's subsidiary.

On May 29, 2006, Vale sold, for R\$910,349, its indirect interest in Gulf Industrial Investment Company (GIIC) generating a net gain of R\$736,866.

In February 2006, Vale sold, for R\$30,205, its total interest in Nova Era Silicon (49% of the capital) to JFE Steel Corporation, resulting in a net gain of R\$19,326.

**Table of Contents****5.8- Cash and Cash Equivalents**

|  |                  | <b>Consolidated</b> | <b>Parent Company</b> |                 |
|--|------------------|---------------------|-----------------------|-----------------|
|  | <b>06/30/06</b>  | <b>03/31/06</b>     | <b>06/30/06</b>       | <b>03/31/06</b> |
| Cash and bank accounts   | 575,239          | 729,767             | 25,796                | 48,902          |
| Marketable securities linked to the interbank deposit certificate rate |                  | 1,001,900           | 90,303                | 95,262          |
|  | 1,262,704        |                     |                       |                 |
| Time deposits / overnight investments                                  | 2,664,010        | 2,145,695           |                       |                 |
|  | <b>4,501,953</b> | <b>3,877,362</b>    | <b>116,099</b>        | <b>144,164</b>  |

**5.9- Accounts Receivable**

|                                  |                  | <b>Consolidated</b> | <b>Parent Company</b> |                  |
|----------------------------------|------------------|---------------------|-----------------------|------------------|
|                                  | <b>06/30/06</b>  | <b>03/31/06</b>     | <b>06/30/06</b>       | <b>03/31/06</b>  |
| Domestic                         | 838,487          | 702,840             | 879,646               | 748,766          |
| Export                           | 3,834,401        | 3,100,626           | 1,446,256             | 1,402,057        |
|                                  | <b>4,672,888</b> | <b>3,803,466</b>    | <b>2,325,902</b>      | <b>2,150,823</b> |
| Allowance for doubtful accounts  | (110,510)        | (104,612)           | (52,005)              | (53,133)         |
| Allowance for ore weight credits | (34,507)         | (28,619)            | (30,515)              | (25,713)         |
|                                  | <b>4,527,871</b> | <b>3,670,235</b>    | <b>2,243,382</b>      | <b>2,071,977</b> |

No individual client was responsible for more than 10% of total revenues.

**5.10- Related Parties**

Derived from sales and purchases of products and services or from loans under normal market conditions, with maturities up to the year 2008, as follows:

|  | <b>06/30/06</b>  |                      | <b>Assets</b>    |                      | <b>06/30/06</b>  |                      | <b>Consolidated</b> |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|---------------------|----------------------|
|  | <b>Customers</b> | <b>Related party</b> | <b>Customers</b> | <b>Related party</b> | <b>Suppliers</b> | <b>Related party</b> | <b>Suppliers</b>    | <b>Liabilities</b>   |
|  |                  |                      |                  |                      |                  |                      |                     | <b>03/31/06</b>      |
|  |                  |                      |                  |                      |                  |                      |                     | <b>Related party</b> |
| <b>Companhia Nipo-Brasileira de Pelotização - NIBRASCO</b>     | 64,711           |                      | 44,621           |                      | 34,644           | 29,799               | 42,846              | 1,487                |
| <b>Companhia Hispano-Brasileira de Pelotização HISPANOBRÁS</b> | 52,861           | 131                  | 61,652           | 131                  | 37,306           | 11,357               | 43,243              | 1,217                |
| <b>Companhia Ítalo-Brasileira de Pelotização - ITABRASCO</b>   | 43,797           |                      | 39,923           |                      | 25,819           | 1,998                | 19,115              | 2,399                |

|   |                |               |                |                |                |               |                |               |
|---|----------------|---------------|----------------|----------------|----------------|---------------|----------------|---------------|
| <b>Companhia Coreano-Brasileira de Pelotização KOBRASCO Usina Siderúrgica de Minas Gerais S.A. - USIMINAS Valesul Alumínio S.A. Samarco Mineração S.A. MRS Logística S.A. Biovale Mineração S.A. Mineração Rio do Norte S.A. Others</b> | 45,841         | 600           | 39,233         | 24,793         | 11,414         | 4,220         | 29,196         | 11,005        |
|   | 40,766         | 26,606        | 36,017         | 88,543         | 866            |               | 28             | 8,029         |
|   | 984            | 641           | 2,520          | 445            | 34             |               | 34             | 2             |
|   | 4,392          | 7,379         | 2,409          | 31             |                |               |                |               |
|   | 219            | 366           | 241            | 46,012         | 1,172          | 14,922        | 5,331          | 17,939        |
|   | 106            |               | 7              | 482            | 18,179         |               | 24,567         |               |
|   | 523            |               | 529            | 51,233         | 24,960         |               | 28,841         |               |
|   | 13,654         | 1,129         | 17,504         | 27,743         | 8,782          | 13,591        | 21,045         | 23,485        |
| <b>Total</b>  | <b>267,854</b> | <b>36,852</b> | <b>244,656</b> | <b>239,413</b> | <b>163,176</b> | <b>75,887</b> | <b>214,246</b> | <b>65,563</b> |
| <b>Registered as:</b>   |                |               |                |                |                |               |                |               |
| <b>Current</b>  | 267,854        | 22,626        | 244,656        | 220,847        | 163,176        | 73,040        | 214,246        | 62,457        |
| <b>Non-current</b>  |                | 14,226        |                | 18,566         |                | 2,847         |                | 3,106         |
|   | <b>267,854</b> | <b>36,852</b> | <b>244,656</b> | <b>239,413</b> | <b>163,176</b> | <b>75,887</b> | <b>214,246</b> | <b>65,563</b> |

**Table of Contents****5.11- Inventories**

|   | <b>Consolidated</b> |                  | <b>Parent Company</b> |                  |
|---|---------------------|------------------|-----------------------|------------------|
|   | <b>06/30/06</b>     | <b>03/31/06</b>  | <b>06/30/06</b>       | <b>03/31/06</b>  |
| <b>Finished products</b>                    |                     |                  |                       |                  |
| . Iron ore and pellets                      | 916,155             | 976,781          | 534,472               | 476,518          |
| . Manganese and ferroalloys                 | 276,236             | 300,470          |                       |                  |
| . Aluminum                                  | 248,421             | 216,414          |                       |                  |
| . Steel products                            | 59,328              | 59,001           |                       |                  |
| . Copper                                    | 26,906              | 29,543           | 26,906                | 29,543           |
| . Other                                     | 136,212             | 72,861           | 46,505                | 27,547           |
|   | <b>1,663,258</b>    | <b>1,655,070</b> | <b>607,883</b>        | <b>533,608</b>   |
| <b>Spare parts and maintenance supplies</b> | <b>1,679,717</b>    | <b>1,833,685</b> | <b>724,012</b>        | <b>843,813</b>   |
|   | <b>3,342,975</b>    | <b>3,488,755</b> | <b>1,331,895</b>      | <b>1,377,421</b> |

**5.12- Taxes to recover or offset**

|  | <b>Consolidated</b> |                  | <b>Parent Company</b> |                 |
|--|---------------------|------------------|-----------------------|-----------------|
|  | <b>06/30/06</b>     | <b>03/31/06</b>  | <b>06/30/06</b>       | <b>03/31/06</b> |
| Withholding income tax on marketable securities and stockholders equity received | 52,687              | 44,573           | 9,978                 | 9,293           |
| Value-added tax  | 551,133             | 609,111          | 419,813               | 503,893         |
| PIS and COFINS non cumulative  | 355,145             | 300,109          | 15,504                | 64,847          |
| IR anticipated   | 90,592              | 168,011          |                       | 65,678          |
| Others   | 52,202              | 58,507           | 26,459                | 31,435          |
| <b>Total</b>   | <b>1,101,759</b>    | <b>1,180,311</b> | <b>471,754</b>        | <b>675,146</b>  |
| Current  | 787,265             | 966,031          | 257,182               | 498,424         |
| Non-current  | 314,494             | 214,280          | 214,572               | 176,722         |
|  | <b>1,101,759</b>    | <b>1,180,311</b> | <b>471,754</b>        | <b>675,146</b>  |

**5.13- Deferred Income Tax and Social Contribution**

Income of the company is subject to the normal tax system. The balances of deferred assets and liabilities are presented as follows:

|                                  | <b>Consolidated</b> |                 | <b>Net Deferred Parent Company</b> |                 |
|----------------------------------|---------------------|-----------------|------------------------------------|-----------------|
|                                  | <b>06/30/06</b>     | <b>03/31/06</b> | <b>06/30/06</b>                    | <b>03/31/06</b> |
| Tax loss carryforward            | 554,819             | 636,012         | 107,763                            | 198,464         |
| Temporary differences:           |                     |                 |                                    |                 |
| . Pension Plan Valia             | 210,961             | 210,959         | 210,961                            | 210,959         |
| . Contingent liabilities         | 672,406             | 660,988         | 604,810                            | 588,881         |
| . Provision for losses on assets | 181,349             | 173,219         | 156,091                            | 170,987         |
| . Others                         | (165,381)           | (100,445)       | (254,804)                          | (234,807)       |



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|              |                  |                  |                |                |
|--------------|------------------|------------------|----------------|----------------|
|              | 899,335          | 944,721          | 717,058        | 736,020        |
| <b>Total</b> | <b>1,454,154</b> | <b>1,580,733</b> | <b>824,821</b> | <b>934,484</b> |
| Current      | 509,073          | 586,394          | 425,575        | 506,555        |
| Non-current  | 945,081          | 994,339          | 399,246        | 427,929        |
|              | <b>1,454,154</b> | <b>1,580,733</b> | <b>824,821</b> | <b>934,484</b> |

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The amounts reported as income tax and social contribution, which affected the results for the period, are as follows:

|  | 2Q/06              | 1Q/06              | Quarter<br>2Q/05   | 06/30/06           | Consolidated<br>Accumulated<br>06/30/05 | 06/30/06         | Parent Company<br>Accumulated<br>06/30/05 |
|--|--------------------|--------------------|--------------------|--------------------|---|------------------|---|
| Income before income tax and social contribution                                 | 4,732,604          | 3,016,568          | 4,915,233          | 7,749,172          | 7,090,204                               | 6,592,932        | 5,793,235                                 |
| Results of equity investment   | 57,280             | (16,410)           | (76,889)           | 40,870             | (150,408)                               | (4,111,198)      | (2,413,136)                               |
| Results on sale of assets  | (736,866)          | (19,326)           |                    | (756,192)          |   | (19,326)         |   |
|  | <b>4,053,018</b>   | <b>2,980,832</b>   | <b>4,838,344</b>   | <b>7,033,850</b>   | <b>6,939,796</b>                        | <b>2,462,408</b> | <b>3,380,099</b>                          |
| Income tax and social contribution at combined tax rates                         | 34%                | 34%                | 34%                | 34%                | 34%                                     | 34%              | 34%                                       |
| <b>Federal income tax and social contribution at statutory rates</b>             | <b>(1,378,026)</b> | <b>(1,013,483)</b> | <b>(1,645,037)</b> | <b>(2,391,509)</b> | <b>(2,359,531)</b>                      | <b>(837,219)</b> | <b>(1,149,234)</b>                        |
| Adjustments to net income which modify the effect on the results for the period: |                    |                    |                    |                    |   |                  |   |
| . Income tax benefit from interest on stockholders equity                        | 184,154            | 198,464            | 290,166            | 382,618            | 435,166                                 | 382,618          | 435,166                                   |
| . Fiscal incentives  | 97,977             | 69,428             | 52,764             | 167,405            | 111,245                                 | 4,780            | 11,846                                    |
| . Interest on stockholders equity received                                       |                    |                    |                    |                    |   |                  |   |

|  |                  |                  |                    |                    |                    |                  |                  |
|--|------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| . Results of overseas companies not taxed (bilateral . international agreements) | 467,349          | 247,410          | 178,790            | 714,759            | 300,395            |                  |                  |
| . Reduced incentive aliquot  | 26,705           | 17,943           | 29,335             | 44,648             | 50,081             |                  |                  |
| . Other  | 8,739            | (105,096)        | 33,103             | (96,357)           | 11,221             | (53,452)         | 3,462            |
| <b>Income tax and social contribution</b>  | <b>(593,102)</b> | <b>(585,334)</b> | <b>(1,060,879)</b> | <b>(1,178,436)</b> | <b>(1,451,423)</b> | <b>(503,273)</b> | <b>(698,760)</b> |

The deferred assets and liabilities for income tax and social contribution arising from tax losses, negative social contribution bases and temporary differences are recognized from an accounting standpoint considering an analysis of likely future results, based on economic and financial projections prepared based on internal assumptions and macroeconomic, commercial and fiscal scenarios which could change in the future.

We have certain tax incentives relative to our manganese operations in Carajás, our potash operations in Rosario do Catete, our alumina and aluminum operations in Barcarena and our kaolin operations in Ipixuna and Mazagão. The incentives relative to manganese comprise partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels which expire in 2009 and 2013, respectively, while the partial exemption incentives relative to aluminum and kaolin expire in 2013 and bauxite in 2008. 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.

**Table of Contents****5.14- Consolidated investments**

|  | <b>Investments</b> |                  | <b>Quarter</b>  |               |               | <b>Equity Results Accumulated</b> |                 |
|--|--------------------|------------------|-----------------|---------------|---------------|-----------------------------------|-----------------|
|  | <b>06/30/06</b>    | <b>03/31/06</b>  | <b>2Q/06</b>    | <b>1Q/06</b>  | <b>2Q/05</b>  | <b>06/30/06</b>                   | <b>03/31/06</b> |
| <b>Investments in affiliated companies</b>                                       |                    |                  |                 |               |               |                                   |                 |
| Usinas Siderúrgicas de Minas Gerais S.A. USIMINAS (a)                            | 1,064,154          | 1,009,392        | 59,473          | 56,322        | 127,999       | 115,795                           | 239,505         |
| Shandong Yankuang International Company Ltd. Henan Longyu Resources Co. Ltd. (b) | 46,561             | 46,735           |                 |               |               |                                   |                 |
| Other  | 200,172            | 223,488          | 9,931           | 14,377        |               | 24,308                            |                 |
| Exchange variation in stockholders equity of companies abroad                    | 6,493              | 6,517            |                 |               |               |                                   |                 |
| <b>Goodwill of consolidated companies</b>  |                    |                  | (900)           | (19,118)      | (4,967)       | (20,018)                          | (4,769)         |
| <b>Investments at cost</b>   | 5,394,664          | 5,619,323        | (132,256)       | (37,941)      | (57,270)      | (170,197)                         | (114,540)       |
| SIDERAR Sociedad Anonima Industrial Y Comercial (a)                              | 32,465             | 32,586           |                 |               |               |                                   |                 |
| Quadrem International Holdings Ltd.  | 10,094             | 10,132           |                 |               |               |                                   |                 |
| Other (b)  | 62,040             | 60,808           | 6,018           | 6,075         | 18,832        | 12,093                            | 37,685          |
| Exchange variation in stockholders equity of companies abroad                    |                    |                  | 454             | (3,305)       | (7,705)       | (2,851)                           | (7,473)         |
|  | <b>6,816,643</b>   | <b>7,008,981</b> | <b>(57,280)</b> | <b>16,410</b> | <b>76,889</b> | <b>(40,870)</b>                   | <b>150,408</b>  |

(a) Interest at market price Usiminas R\$ 2,193,912 and Siderar R\$ 274,526; and

(b) Dividends received from Gerdau, R\$ 2,536 (2Q/06 R\$ 1,209 and 1Q/06 R\$ 1,327), Longyu 2Q/06 R\$ 33,147, Usiminas 2Q/06 R\$ 59,074 and others at cost R\$ 356.

**Table of Contents****5.15- Property, Plant and Equipment****(a) By type of asset:**

|  | Average<br>deprecia-<br>tion<br>rates | Consolidated      |                     |                   |                   | Parent Company    |                    |                   |                   |
|--|---------------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|  |                                       | 06/30/06          |                     | 03/31/06          |                   | 06/30/06          |                    | 03/31/06          |                   |
|  |                                       | Accumulated       |                     | Accumulated       |                   | Accumulated       |                    | Accumulated       |                   |
|  |                                       | Cost              | depreciation        | Net               | Net               | Cost              | depreciation       | Net               | Net               |
| Buildings                              | 2.82%                                 | 3,420,035         | (1,195,651)         | 2,224,384         | 1,855,575         | 2,121,020         | (749,419)          | 1,371,601         | 1,260,411         |
| Installations                          | 3.69%                                 | 15,187,830        | (4,851,306)         | 10,336,524        | 9,032,894         | 8,166,283         | (3,105,993)        | 5,060,290         | 4,781,911         |
| Equipment                              | 9.52%                                 | 6,914,484         | (3,132,663)         | 3,781,821         | 3,661,933         | 2,608,069         | (962,762)          | 1,645,307         | 1,574,775         |
| Information<br>technology<br>equipment | 20.00%                                | 1,148,006         | (444,061)           | 703,945           | 691,324           | 994,872           | (343,138)          | 651,734           | 624,748           |
| Railroads                              | 3.87%                                 | 8,156,496         | (3,254,420)         | 4,902,076         | 4,768,319         | 8,234,336         | (3,252,742)        | 4,981,594         | 4,854,355         |
| Mineral<br>rights (*)                  | 1.84%                                 | 1,958,001         | (865,137)           | 1,092,864         | 1,120,522         | 1,302,866         | (185,360)          | 1,117,506         | 1,135,264         |
| Others                                 | 14.50%                                | 4,002,376         | (1,972,922)         | 2,029,454         | 1,977,429         | 1,904,791         | (792,688)          | 1,112,103         | 1,033,713         |
|  |                                       | <b>40,787,228</b> | <b>(15,716,160)</b> | <b>25,071,068</b> | <b>23,107,996</b> | <b>25,332,237</b> | <b>(9,392,102)</b> | <b>15,940,135</b> | <b>15,265,177</b> |
| Construction<br>in progress            |                                       | 11,468,569        |                     | 11,468,569        | 11,588,178        | 7,013,348         |                    | 7,013,348         | 6,283,718         |
| <b>Total</b>                           |                                       | <b>52,255,797</b> | <b>(15,716,160)</b> | <b>36,539,637</b> | <b>34,696,174</b> | <b>32,345,585</b> | <b>(9,392,102)</b> | <b>22,953,483</b> | <b>21,548,895</b> |

(\*) Calculated on the basis of the volume of ore extracted in relation to the proven and probable reserves.

**(b) By business area:**

|                          | 06/30/06          |                             | Consolidated<br>03/31/06 |                   |
|--------------------------|-------------------|-----------------------------|--------------------------|-------------------|
|                          | Cost              | Accumulated<br>depreciation | Net                      | Net               |
| <b>Ferrous</b>           |                   |                             |                          |                   |
| In operation             | 26,287,769        | (10,943,337)                | 15,344,432               | 14,691,314        |
| Construction in Progress | 5,938,563         |                             | 5,938,563                | 5,159,013         |
|                          | <b>32,226,332</b> | <b>(10,943,337)</b>         | <b>21,282,995</b>        | <b>19,850,327</b> |
| <b>Non-Ferrous</b>       |                   |                             |                          |                   |
| In operation             | 2,969,687         | (781,133)                   | 2,188,554                | 2,211,499         |

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|                          |                   |                     |                   |                   |
|--------------------------|-------------------|---------------------|-------------------|-------------------|
| Construction in Progress | 2,939,831         |                     | 2,939,831         | 2,910,310         |
|                          | <b>5,909,518</b>  | <b>(781,133)</b>    | <b>5,128,385</b>  | <b>5,121,809</b>  |
| <b>Logistics</b>         |                   |                     |                   |                   |
| In operation             | 3,080,747         | (852,941)           | 2,227,806         | 2,170,557         |
| Construction in Progress | 238,096           |                     | 238,096           | 212,402           |
|                          | <b>3,318,843</b>  | <b>(852,941)</b>    | <b>2,465,902</b>  | <b>2,382,959</b>  |
| <b>Holdings</b>          |                   |                     |                   |                   |
| In operation             | 7,414,502         | (2,806,623)         | 4,607,879         | 3,359,268         |
| Construction in Progress | 1,636,522         |                     | 1,636,522         | 2,651,575         |
|                          | <b>9,051,024</b>  | <b>(2,806,623)</b>  | <b>6,244,401</b>  | <b>6,010,843</b>  |
| <b>Corporate Center</b>  |                   |                     |                   |                   |
| Corporate                | 1,034,523         | (332,126)           | 702,397           | 675,358           |
| Construction in Progress | 715,557           |                     | 715,557           | 654,878           |
|                          | <b>1,750,080</b>  | <b>(332,126)</b>    | <b>1,417,954</b>  | <b>1,330,236</b>  |
| <b>Total</b>             | <b>52,255,797</b> | <b>(15,716,160)</b> | <b>36,539,637</b> | <b>34,696,174</b> |

**Table of Contents****5.16- Loans and Financing****Current**

|                 | <b>Consolidated</b> |                 |
|-----------------|---------------------|-----------------|
|                 | <b>06/30/06</b>     | <b>03/31/06</b> |
| Trade finance   | 448,208             | 426,459         |
| Working capital | 204,181             | 189,535         |
|                 | <b>652,389</b>      | <b>615,994</b>  |

**Non-current**

|                               | <b>Consolidated</b>        |                  |                              |                   | <b>Parent Company</b>      |                 |                              |                  |
|-------------------------------|----------------------------|------------------|------------------------------|-------------------|----------------------------|-----------------|------------------------------|------------------|
|                               | <b>Current liabilities</b> |                  | <b>Long-term liabilities</b> |                   | <b>Current liabilities</b> |                 | <b>Long-term liabilities</b> |                  |
|                               | <b>06/30/06</b>            | <b>03/31/06</b>  | <b>06/30/06</b>              | <b>03/31/06</b>   | <b>06/30/06</b>            | <b>03/31/06</b> | <b>06/30/06</b>              | <b>03/31/06</b>  |
| <b>Foreign operations</b>     |                            |                  |                              |                   |                            |                 |                              |                  |
| Loans and financing in:       |                            |                  |                              |                   |                            |                 |                              |                  |
| U.S. dollars                  | 1,533,949                  | 1,730,018        | 4,371,768                    | 4,477,420         | 516,607                    | 689,547         | 1,832,982                    | 1,881,711        |
| Other currencies              | 7,827                      | 6,885            | 31,562                       | 33,798            | 7,827                      | 6,885           | 31,562                       | 33,798           |
| Notes in U.S. dollars         |                            |                  | 4,406,214                    | 4,422,704         |                            |                 |                              |                  |
| Export securitization         | 181,128                    | 179,484          | 653,013                      | 701,796           |                            |                 |                              |                  |
| Perpetual notes               |                            |                  | 173,969                      | 168,646           |                            |                 |                              |                  |
| Accrued charges               | 287,341                    | 203,335          |                              |                   | 46,067                     | 19,070          |                              |                  |
|                               | <b>2,010,245</b>           | <b>2,119,722</b> | <b>9,636,526</b>             | <b>9,804,364</b>  | <b>570,501</b>             | <b>715,502</b>  | <b>1,864,544</b>             | <b>1,915,509</b> |
| <b>Local operations</b>       |                            |                  |                              |                   |                            |                 |                              |                  |
| Indexed by TJLP, TR and IGP-M | 166,432                    | 180,455          | 343,497                      | 362,796           | 44,945                     | 47,540          | 167,211                      | 179,927          |
| Basket of currencies          | 3,530                      | 3,799            | 17,642                       | 18,553            | 3,259                      | 3,555           | 17,289                       | 18,164           |
| Loans in U.S. dollars         | 256,073                    | 367,777          | 236,398                      | 248,070           | 825                        | 1,241           |                              |                  |
| Non-convertible debentures    | 690                        | 652              | 342,680                      | 334,700           | 690                        | 652             | 11                           | 11               |
| Accrued charges               | 77,259                     | 74,213           |                              |                   | 901                        | 3,127           |                              |                  |
|                               | <b>503,984</b>             | <b>626,896</b>   | <b>940,217</b>               | <b>964,119</b>    | <b>50,620</b>              | <b>56,115</b>   | <b>184,511</b>               | <b>198,102</b>   |
|                               | <b>2,514,229</b>           | <b>2,746,618</b> | <b>10,576,743</b>            | <b>10,768,483</b> | <b>621,121</b>             | <b>771,617</b>  | <b>2,049,055</b>             | <b>2,113,611</b> |

(a) Foreign currency loans and financing were converted into *reais* at exchange rates effective on the quarterly information date, being US\$1.00 = R\$2.1643 in 06/30/06 (R\$2.1724 in 03/31/06) and ¥1.00 = R\$0.018920 in 06/30/06 (R\$0.018456 in 03/31/06);

(b) At June 30, 2006, our consolidated debt was secured as follows:

Loans guaranteed by the Federal Government, to which we gave counter-guarantees of R\$255,350;

Securitization program of R\$842,920;

Property, plant and equipment of R\$138,850;

Others assets R\$998,434.

(c) Amortization of principal and financing charges incurred on long-term loans and financing obtained abroad and domestically mature as follows, as of 06/30/06:

|  | <b>Consolidated</b> | <b>Parent<br/>Company</b> |
|--|---------------------|---------------------------|
| 2007   | 685,198             | 213,706                   |
| 2008   | 981,489             | 428,919                   |
| 2009   | 748,780             | 387,587                   |
| 2010 onward                                  | 7,644,638           | 1,018,843                 |
| No due date (perpetual notes and debentures) | 516,638             |                           |
|  | <b>10,576,743</b>   | <b>2,049,055</b>          |

The estimated market values of long-term loans and financing calculated at present value based on available interest rates as of 06/30/06 approximate their book values.

(d) On October, 2005, the subsidiary Vale Overseas Limited launched a US\$300 million notes issue maturing in 2034. The notes carry a coupon of 7.65% p.a. The notes form a single series with the US\$500 million notes issued in January 2004 and 8.25% p.a. coupon.



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(e) In January, 2006, the subsidiary Vale Overseas Limited issued US\$1 billion 10-year 6.250% p.a. notes, payable semi-annually due 2016, at a price of 99.97% p.a. of the principal amount.

(f) In January, 2006, the subsidiary Vale Overseas Limited concluded its tender offer for any and all of its US\$300 million aggregate principal amount outstanding 9.00% p.a. Guaranteed Notes due 2013.

**5.17- Contingent Liabilities**

At the quarterly information dates the contingent liabilities of the Company were:

(a) Provisions for contingencies and judicial deposits (booked under long-term liabilities and long-term assets, respectively), considered by management and its legal counsel as sufficient to cover losses from any type of lawsuit, were as follows:

|                              |                      |                  |                |               | <b>Consolidated</b> |
|------------------------------|----------------------|------------------|----------------|---------------|---------------------|
|                              | <b>Tax</b>           | <b>Labor and</b> | <b>Civil</b>   |               |                     |
| <b>Judicial deposits</b>     | <b>contingencies</b> | <b>social</b>    | <b>claims</b>  | <b>Others</b> | <b>Total</b>        |
|                              |                      | <b>security</b>  |                |               |                     |
|                              |                      | <b>claims</b>    |                |               |                     |
| Balance at 03/31/2006        | 1.097.409            | 347.598          | 269.601        | 8.382         | 1.722.990           |
| Addition                     | 327.543              | 136.571          | 22.833         | 57            | 487.004             |
| Write off                    | (160.913)            | (108.804)        | (17.568)       | (5.912)       | (293.197)           |
| Updating s                   | 27.697               | 20.689           | (11.278)       | 58            | 37.166              |
| <b>Balance at 06/30/2006</b> | <b>1.291.736</b>     | <b>396.054</b>   | <b>263.588</b> | <b>2.585</b>  | <b>1.953.963</b>    |

|                              |                      |                  |                |               | <b>Parent Company</b> |
|------------------------------|----------------------|------------------|----------------|---------------|-----------------------|
|                              | <b>Tax</b>           | <b>Labor and</b> | <b>Civil</b>   |               |                       |
| <b>Judicial deposits</b>     | <b>contingencies</b> | <b>social</b>    | <b>claims</b>  | <b>Others</b> | <b>Total</b>          |
|                              |                      | <b>security</b>  |                |               |                       |
|                              |                      | <b>claims</b>    |                |               |                       |
| Balance at 03/31/2006        | 606.568              | 254.979          | 198.469        | 8.172         | 1.068.188             |
| Addition                     | 323.871              | 130.752          | 18.921         | 57            | 473.601               |
| Write off                    | (160.913)            | (106.384)        | (17.568)       | (5.910)       | (290.775)             |
| Updating s                   | 26.457               | 18.471           | (11.092)       | 58            | 33.894                |
| <b>Balance at 06/30/2006</b> | <b>795.983</b>       | <b>297.818</b>   | <b>188.730</b> | <b>2.377</b>  | <b>1.284.908</b>      |

|                                     |                      |                  |               |               | <b>Consolidated</b> |
|-------------------------------------|----------------------|------------------|---------------|---------------|---------------------|
|                                     | <b>Tax</b>           | <b>Labor and</b> | <b>Civil</b>  |               |                     |
| <b>Provisions for contingencies</b> | <b>contingencies</b> | <b>social</b>    | <b>claims</b> | <b>Others</b> | <b>Total</b>        |
|                                     |                      | <b>security</b>  |               |               |                     |
|                                     |                      | <b>claims</b>    |               |               |                     |
| Balance at 03/31/2006               | 1.674.482            | 553.101          | 538.510       | 59.642        | 2.825.735           |
| Addition                            | 194.063              | 249.143          | 106.336       | 2.244         | 551.786             |
| Write off                           | (154.387)            | (115.900)        | (127.472)     | (5.020)       | (402.779)           |
| Updating s                          | 39.826               | 9.923            | 10.774        | 5.561         | 66.084              |

|                                     |                              |   |                         |               |                       |
|-------------------------------------|------------------------------|---|-------------------------|---------------|-----------------------|
| <b>Balance at 06/30/2006</b>        | <b>1.753.984</b>             | <b>696.267</b>                                      | <b>528.148</b>          | <b>62.427</b> | <b>3.040.826</b>      |
|                                     |                              |   |                         |               | <b>Parent Company</b> |
|                                     |                              | <b>Labor and<br/>social<br/>security<br/>claims</b> |                         |               |                       |
|                                     | <b>Tax<br/>contingencies</b> |   | <b>Civil<br/>claims</b> | <b>Others</b> | <b>Total</b>          |
| <b>Provisions for contingencies</b> |                              |   |                         |               |                       |
| Balance at 03/31/2006               | 1.301.502                    | 427.985   | 390.888                 | 17.840        | 2.138.215             |
| Addition                            | 183.137                      | 234.201   | 99.964                  | 4.040         | 521.342               |
| Write off                           | (153.883)                    | (114.640)   | (127.392)               | (2.084)       | (397.999)             |
| Updating s                          | 36.959                       | 8.525   | 10.001                  | 5.561         | 61.046                |
| <b>Balance at 06/30/2006</b>        | <b>1.367.715</b>             | <b>556.071</b>                                      | <b>373.461</b>          | <b>25.357</b> | <b>2.322.604</b>      |

The Company is party to labor, civil, tax and other suits and has been contesting these matters both administratively and in court. When applicable, these are backed by judicial deposits. Provisions for losses are estimated and restated monetarily by management based on the opinions of the legal department and outside counsel.

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

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

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

In addition to the contingencies for which we have made provisions we have possible losses totaling R\$2,663,347 (R\$1,795,356 parent company). Based on the advice of our legal counsel, no provision is maintained.

(b) Guarantees given to jointly controlled companies are as follows:

| Affiliate | Amount of guarantee |          | Denominated currency | Purpose                 | Final maturity | Counter guarantees |
|-----------|---------------------|----------|----------------------|-------------------------|----------------|--------------------|
|           | 06/30/06            | 03/31/06 |                      |                         |                |                    |
| SAMARCO   | 8,508               | 8,165    | US\$                 | Debt guarantee<br>IFC   | 2008           | None               |
| VALESUL   | 767                 | 767      | R\$                  | Debt guarantee<br>BNDES | 2007           | None               |

The Company does not expect such guarantees to be executed and therefore no provisions for losses have been made. CVRD does not charge Valesul for granting these guarantees.

(c) Upon privatization of the Company in 1997, the Brazilian government stipulated the issuance of non-convertible debentures (Debentures) to the stockholders of record, including the federal government. The maturity dates of these Debentures were established to guarantee that pre-privatization stockholders, including the federal government, would share any future benefits from the Company mineral resources.

A total of 388,559,056 Debentures were issued at a par value of R\$0.01 (one cent), whose value is to be restated in accordance with the variation in the General Market Price Index (IGP-M), as set forth in the Issue Deed.

On October 4, 2002, the Comissão de Valores Mobiliários CVM (Brazilian Securities Commission) approved the Company's registration request, for public trading of the Debentures. As from October 28, 2002, the Debentures can be traded on the secondary market.

The debenture holders are entitled to receive semi-annual payments equivalent to a percentage of the net revenue deriving from certain mineral resources owned in May 1997 and included in the Issue Deed.

According to the Debenture Issue Deed, the amount of the premium must include interest up to the month prior to that of effective payment, plus 1% in the month in which the funds are made available to the debenture holder. Pursuant to this Deed, the payment date shall take place each semester in March and September.

Based on estimates of the operational start-up of copper projects, CVRD began calculating the premium referring to these minerals rights. Considering the iron ore sale, the Company estimates that the threshold for payment will be reached by approximately 2032 and 2019 for the Southern and Northern systems, respectively. Regarding other minerals, such as bauxite and nickel, the forecast for exploitation is for the second half of the decade, and according to the criteria established in the Deed, payment will be due on the net sales revenue in the fourth year after the date of first commercialization. The obligation to make payments to the debenture holders will cease when the pertinent mineral resources are exhausted.

On 04/03/06 we made available payment related to debentures in the amount of R\$4,491.

**5.18- Environmental and Site Reclamation and Restoration Costs**

Expenditures relating to ongoing compliance with environmental regulations are charged to production costs or capitalized as incurred. The Company manages its environmental policies according to the specifications of ISO

14,001 and maintains ongoing programs to minimize the environmental impact of its mining operations as well as to reduce the costs that will be incurred upon termination of activities at each mine. On 06/30/06, the provision for asset retirement obligations amounted to R\$541,631 (R\$326,953 parent company), which was accounted for in Provision for asset retirement obligations in non-current liabilities and R\$18,903 (R\$18,903 parent company) in Other in current liabilities. The Company adopts the concepts of the Accounting for Asset Retirement Obligations, as follows:

Costs for mine closure are recorded as part of the cost of these assets and a corresponding provision is made for such future expenditure;

The estimated costs are accounted for at the present value of the obligations, discounted using a risk free rate; and

The estimated costs are reviewed annually and changes in the present value are adjusted in the recorded amounts of the assets and liabilities.

**Table of Contents****5.19- Treasury Stock**

The Board of Directors, under the terms of Subparagraph XXXII of Article 14 of the Bylaws and based on Article 30 of Law 6404/76 and CVM Instructions 10 of 02/14/80 and 268 of 11/13/97, approved the acquisition by the Company of its own shares to be held in treasury for later sale or cancellation.

On June 21, 2006, the Board of Directors approved a buy-back program of its preferred shares. The program will involve the acquisition of up to 47,986,763 preferred shares, corresponding to 5% of its outstanding preferred shares on May 31, 2006, to be executed over the next 180 days. Until 06/30/06, 1,281,100 preferred shares had been acquired.

On 06/30/06, the Company had acquired 28,291,020 common shares and 1,304,016 preferred shares, which are held in treasury in the amount of R\$185,097. The 28,291,020 common shares guarantee a loan of the subsidiary Alunorte. On June 30, 2006 the market value of 4,988,922 of these shares would be sufficient to offset the balance of the debt.

| Class     | Shares            |                   |         | Unit acquisition cost |       | Average quoted market price |          |
|-----------|-------------------|-------------------|---------|-----------------------|-------|-----------------------------|----------|
|           | 06/30/06          | 03/31/06          | Average | Low                   | High  | 06/30/06                    | 03/31/06 |
| Preferred | 1,304,016         | 22,916            | 41.44   | 41.16                 | 42.65 | 44.56                       | 44.68    |
| Common    | 28,291,020        | 28,291,020        | 4.63    | 3.34                  | 8.68  | 51.78                       | 51.02    |
|           | <b>29,595,036</b> | <b>28,313,936</b> |         |                       |       |                             |          |

**5.20- Paid-up Capital**

At the Extraordinary Shareholders Meeting held on 03/31/06 the Capital Stock is in the amount of R\$19,492,400,974.56, corresponding to 1,229,828,529 shares, being R\$9,007,032,395.62 divided into 749,949,429 common shares and R\$10,485,368,578.94, divided into 479,879,100 preferred Class A, including three (3) special Class shares, all without par value.

After the split the capital stock in the amount of R\$19.5 billion, corresponds to 2,459,657,058 shares, being 1,499,898,858 common shares and 957,758,200 preferred Class A, including six special class shares without par value (Golden share). The share/ADR proportion was maintained at 1/1; therefore, each common and preferred share, will continue to be represented by one ADR supported by one common share or by one ADR supported by one class A preferred share, respectively.

Preferred shares have the same rights as common shares, except for the right to elect the members of the Board of Directors. They have priority to a minimum annual dividend of 6% on the portion of capital represented by this class of share or 3% of the book net equity value of the share, whichever is greater.

The Extraordinary Shareholders Meeting held on 04/27/06 approved the split of shares, which occurred on 05/22/06. Each preferred and common share was split and represented by two shares.

For comparative purposes we considered the effects of the split to calculate the net income per outstanding share, presented in the Statement of Income.

**5.21- Payment to Shareholders**

At 04/28/06 the payment of the first installment of the minimum dividend to shareholders for R\$1,392,300, equivalent to R\$1.145292894 per outstanding common or preferred class A or common share was made. From this amount, R\$809,800 equivalent to R\$0.666133869 per outstanding preferred class A or common share were paid in the form of interest on shareholders equity and R\$582,500, equivalent to R\$0.479159025 per outstanding preferred or common share, in the form of dividends.

**5.22- Financial Results**

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|  | 2Q/06                 |   |                  | 1Q/06                 |   |                  | Consolidated<br>2Q/05 |   |                |
|--|-----------------------|---|------------------|-----------------------|---|------------------|-----------------------|---|----------------|
|  | Financial<br>expenses | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>liabilities | Total            | Financial<br>expenses | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>liabilities | Total            | Financial<br>expenses | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>liabilities | Total          |
| Foreign debt   | (123,118)             | 76,420  | (46,698)         | (115,961)             | 242,259   | 126,298          | (101,289)             | 780,104   | 678,815        |
| Local debt   | (41,444)              | (100,574)   | (142,018)        | (37,133)              | 155,170   | 118,037          | (54,481)              | 235,822   | 181,341        |
| Related parties  | (1,911)               | (7)   | (1,918)          | (2,664)               | (125)   | (2,789)          | 16,459                | 4,124   | 20,583         |
|  | <b>(166,473)</b>      | <b>(24,161)</b>   | <b>(190,634)</b> | <b>(155,758)</b>      | <b>397,304</b>  | <b>241,546</b>   | <b>(139,311)</b>      | <b>1,020,050</b>  | <b>880,739</b> |
| Labor, tax and civil contingencies                           | (56,236)              | (7,771)   | (64,007)         | (56,910)              | (13,745)  | (70,655)         | (31,575)              | (18,697)  | (50,272)       |
| Derivatives, net of gain/losses (interest and currencies)    | 3,244                 | 27  | 3,271            | 1,589                 | 432   | 2,021            | (5,878)               | 2,637   | (3,241)        |
| Derivatives, net of gain/losses (gold, aluminum and alumina) | (110,679)             | 1,634   | (109,045)        | (159,270)             | 50,226  | (109,044)        | 16,198                | 41,964  | 58,162         |
| CPMF   | (42,486)              |   | (42,486)         | (48,456)              |   | (48,456)         | (46,111)              |   | (46,111)       |
| Other  | (184,189)             | (49,334)  | (233,523)        | (108,266)             | (155,694)   | (263,960)        | (40,815)              | (85,525)  | (126,340)      |
|  | <b>(556,819)</b>      | <b>(79,605)</b>   | <b>(636,424)</b> | <b>(527,071)</b>      | <b>278,523</b>  | <b>(248,548)</b> | <b>(247,492)</b>      | <b>960,429</b>  | <b>712,937</b> |
|  | Financial<br>income   | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>assets      | Total            | Financial<br>income   | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>assets      | Total            | Financial<br>income   | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>assets      | Total          |
| Related parties  | 5,050                 | (1,443)   | 3,607            | 791                   | 4   | 795              | (14,186)              | (5,169)   | (19,355)       |
| Marketable securities  | 55,001                | (9,289)   | 45,712           | 69,026                | (52,529)  | 16,497           | 51,507                | (230,392)   | (178,885)      |
| Other  | 44,713                | 75,987  | 120,700          | 38,290                | (66,088)  | (27,798)         | 20,816                | (453,642)   | (432,826)      |

|  |                  |                           |                    |  |                  |                           |                  |  |                 |
|--|------------------|---------------------------|--------------------|--|------------------|---------------------------|------------------|--|-----------------|
|  | 104,764          | 65,255                    | 170,019            | 108,107  | (118,613)        | (10,506)                  | 58,137           | (689,203)                                      | (631,066)       |
| <b>Financial income (expenses), net</b>                      | <b>(452,055)</b> | <b>(14,350)</b>           | <b>(466,405)</b>   | <b>(418,964)</b>                               | <b>159,910</b>   | <b>(259,054)</b>          | <b>(189,355)</b> | <b>271,226</b>                                 | <b>81,871</b>   |
|  |                  |                           |                    |  | <b>06/30/06</b>  |                           |                  |  | <b>06/30/05</b> |
|  |                  |                           |                    | <b>Monetary and exchange rate variation on</b> |                  |                           |                  | <b>Monetary and exchange rate variation on</b> |                 |
|  |                  | <b>Financial expenses</b> | <b>liabilities</b> |  | <b>Total</b>     | <b>Financial expenses</b> |                  | <b>liabilities</b>                             | <b>Total</b>    |
| Foreign debt   |                  | (239,079)                 | 318,679            |  | 79,600           | (181,999)                 |                  | 770,505  | 588,506         |
| Local debt   |                  | (78,577)                  | 54,596             |  | (23,981)         | (119,051)                 |                  | 224,394  | 105,343         |
| Related parties  |                  | (4,575)                   | (132)              |  | (4,707)          | (10,914)                  |                  | 13   | (10,901)        |
|  |                  | <b>(322,231)</b>          | <b>373,143</b>     |  | <b>50,912</b>    | <b>(311,964)</b>          |                  | <b>994,912</b>                                 | <b>682,948</b>  |
| Labor, tax and civil contingencies                           |                  | (113,146)                 | (21,516)           |  | (134,662)        | (62,586)                  |                  | (42,412)                                       | (104,998)       |
| Derivatives, net of gain/losses (interest and currencies)    |                  | 4,833                     | 459                |  | 5,292            | (1,290)                   |                  | 2,566  | 1,276           |
| Derivatives, net of gain/losses (gold, aluminum and alumina) |                  | (269,949)                 | 51,860             |  | (218,089)        | 7,015                     |                  | 38,781   | 45,796          |
| CPMF   |                  | (90,942)                  |                    |  | (90,942)         | (69,695)                  |                  |  | (69,695)        |
| Other  |                  | (292,455)                 | (205,028)          |  | (497,483)        | (103,979)                 |                  | (160,696)                                      | (264,675)       |
|  |                  | <b>(1,083,890)</b>        | <b>198,918</b>     |  | <b>(884,972)</b> | <b>(542,499)</b>          |                  | <b>833,151</b>                                 | <b>290,652</b>  |
|  |                  |                           |                    | <b>Monetary and exchange rate variation on</b> |                  |                           |                  | <b>Monetary and exchange rate variation on</b> |                 |
|  |                  | <b>Financial income</b>   | <b>assets</b>      |  | <b>Total</b>     | <b>Financial income</b>   |                  | <b>variation on assets</b>                     | <b>Total</b>    |
| Related parties  |                  | 5,841                     | (1,439)            |  | 4,402            | 14,807                    |                  | 7,938  | 22,745          |
| Marketable securities  |                  | 124,027                   | (61,818)           |  | 62,209           | 94,608                    |                  | (216,133)                                      | (121,525)       |
| Other  |                  | 83,003                    | 9,899              |  | 92,902           | 61,562                    |                  | (446,010)                                      | (384,448)       |

|   |                  |                |                  |                  |                |                  |
|---|------------------|----------------|------------------|------------------|----------------|------------------|
|   | 212,871          | (53,358)       | 159,513          | 170,977          | (654,205)      | (483,228)        |
| <b>Financial income<br/>(expenses), net</b> | <b>(871,019)</b> | <b>145,560</b> | <b>(725,459)</b> | <b>(371,522)</b> | <b>178,946</b> | <b>(192,576)</b> |



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|   | 06/30/06              |   |                 | Parent Company<br>06/30/05 |   |                 |
|---|-----------------------|---|-----------------|----------------------------|---|-----------------|
|   | Financial<br>expenses | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>liabilities | Total           | Financial<br>expenses      | Monetary<br>and<br>exchange<br>rate<br>variation<br>on<br>liabilities | Total           |
| Foreign debt  | (52,927)              | (47,560)  | (100,487)       | (9,972)                    | 192,101   | 182,129         |
| Local debt  | (13,475)              | (73,947)  | (87,422)        | (12,362)                   | 51,231  | 38,869          |
| Related parties   | (167,961)             | 511,318   | 343,357         | (139,085)                  | 419,017   | 279,932         |
|   | <b>(234,363)</b>      | <b>389,811</b>  | <b>155,448</b>  | <b>(161,419)</b>           | <b>662,349</b>  | <b>500,930</b>  |
| Labor, tax and civil contingencies                        | (110,042)             | (19,612)  | (129,654)       | (62,586)                   | (41,472)  | (104,058)       |
| Derivatives, net of gain/losses (interest and currencies) | 2,642                 | (134)   | 2,508           | (3,245)                    | (407)   | (3,652)         |
| Derivatives, net of gain/losses (gold)                    | (28,349)              | 4,116   | (24,233)        | 3,936                      | 5,290   | 9,226           |
| CPMF  | (57,292)              |   | (57,292)        | (39,065)                   |   | (39,065)        |
| Other   | (167,915)             | 172,406   | 4,491           | (49,155)                   | 230,705   | 181,550         |
|   | <b>(595,319)</b>      | <b>546,587</b>  | <b>(48,732)</b> | <b>(311,534)</b>           | <b>856,465</b>  | <b>544,931</b>  |
|   | Financial<br>income   | Monetary<br>and<br>exchange<br>rate<br>variation on<br>assets         | Total           | Financial<br>income        | Monetary<br>and<br>exchange<br>rate<br>variation on<br>assets         | Total           |
| Related parties   | 37,419                | (118,016)   | (80,597)        | 31,342                     | (145,480)   | (114,138)       |
| Marketable securities                                     | 21,956                | 45  | 22,001          | 23,350                     | 9,743   | 33,093          |
| Other   | 13,778                | 59,625  | 73,403          | 22,495                     | (30,933)  | (8,438)         |
|   | <b>73,153</b>         | <b>(58,346)</b>   | <b>14,807</b>   | <b>77,187</b>              | <b>(166,670)</b>  | <b>(89,483)</b> |
| <b>Financial income (expenses), net</b>                   | <b>(522,166)</b>      | <b>488,241</b>  | <b>(33,925)</b> | <b>(234,347)</b>           | <b>689,795</b>  | <b>455,448</b>  |

**5.23- Financial Instruments Derivatives**

The main market risks the Company faces are related to interest rates, exchange rates and commodities prices. CVRD has a policy of managing risks through the use of derivative instruments.

The Company's risk management follows policies and guidelines reviewed and approved by the Board of Directors and Executive Board. These policies and guidelines prohibit speculative trading and short selling and require

diversification of transactions and counterparties. The policy of the Company is to settle all contracts financially without physical delivery of the products. The credit limits and creditworthiness of counterparties are also reviewed periodically and are defined according to the rules approved by the Company's management. The results of hedging are recognized monthly in the financial results.

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The following table shows the movement of gains/loss on derivatives:

|  | <b>Consolidated<br/>2Q/06</b>         |                           |                  |                  |                  |                  |
|--|---------------------------------------|---------------------------|------------------|------------------|------------------|------------------|
|  | <b>Interest<br/>rates<br/>(libor)</b> | <b>(*)<br/>Currencies</b> | <b>Gold</b>      | <b>Aluminium</b> | <b>Alumina</b>   | <b>Total</b>     |
| Gains / (losses) unrealized<br>on 03/31/06         | (6,361)                               | 2,325                     | (126,624)        | (353,234)        | (158,748)        | (642,642)        |
| Financial settlement                               | 2,692                                 |                           | 8,253            | 32,316           | 29,545           | 72,806           |
| Financial expenses, net                            | 1,358                                 | 1,886                     | (11,688)         | (68,105)         | (30,886)         | (107,435)        |
| Monetary variations, net                           | 10                                    | 17                        | (1,235)          | 3,581            | (712)            | 1,661            |
| <b>Gains / (losses) unrealized<br/>on 06/30/06</b> | <b>(2,301)</b>                        | <b>4,228</b>              | <b>(131,294)</b> | <b>(385,442)</b> | <b>(160,801)</b> | <b>(675,610)</b> |
|  |                                       |                           |                  |                  |                  | <b>1Q/06</b>     |
|  | <b>Interest<br/>rates<br/>(libor)</b> | <b>(*)<br/>Currencies</b> | <b>Gold</b>      | <b>Aluminium</b> | <b>Alumina</b>   | <b>Total</b>     |
| Gains / (losses) unrealized<br>on 12/31/05         | (8,769)                               | 1,725                     | (107,561)        | (367,928)        | (125,614)        | (608,147)        |
| Financial settlement                               | 987                                   |                           | 8,564            | 31,307           | 31,670           | 72,528           |
| Financial expenses, net                            | 838                                   | 751                       | (36,338)         | (47,664)         | (75,268)         | (157,681)        |
| Monetary variations, net                           | 583                                   | (151)                     | 8,711            | 31,051           | 10,464           | 50,658           |
| <b>Gains / (losses) unrealized<br/>on 03/31/06</b> | <b>(6,361)</b>                        | <b>2,325</b>              | <b>(126,624)</b> | <b>(353,234)</b> | <b>(158,748)</b> | <b>(642,642)</b> |
|  |                                       |                           |                  |                  |                  | <b>2Q/05</b>     |
|  | <b>Interest<br/>rates<br/>(libor)</b> | <b>(*)<br/>Currencies</b> | <b>Gold</b>      | <b>Aluminium</b> | <b>Alumina</b>   | <b>Total</b>     |
| Gains / (losses) unrealized<br>on 03/31/05         | (30,577)                              | 7,192                     | (83,661)         | (138,303)        | (134,046)        | (379,395)        |
| Financial settlement                               | 10,162                                | (991)                     | 5,629            | 22,936           | 21,657           | 59,393           |
| Financial expenses, net                            | (4,239)                               | (1,638)                   | (1,228)          | (28,254)         | 45,680           | 10,321           |
| Monetary variations, net                           | 3,481                                 | (844)                     | 9,705            | 16,381           | 15,877           | 44,600           |
| <b>Gains / (losses) unrealized<br/>on 06/30/05</b> | <b>(21,173)</b>                       | <b>3,719</b>              | <b>(69,555)</b>  | <b>(127,240)</b> | <b>(50,832)</b>  | <b>(265,081)</b> |

**Parent Company  
06/30/06**

**Interest  
rates  
(\*)**

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|  | <b>(libor)</b> | <b>Currencies</b> | <b>Gold</b>     | <b>Total</b>    |
|--|----------------|-------------------|-----------------|-----------------|
| Gains / (losses) unrealized on 12/31/05        | (5)            | 1,725             | (63,408)        | (61,688)        |
| Financial settlement                           |                |                   | 10,074          | 10,074          |
| Financial expenses, net                        | 5              | 2,637             | (28,349)        | (25,707)        |
| Monetary variations, net                       |                | (134)             | 4,116           | 3,982           |
| <b>Gains / (losses) unrealized on 06/30/06</b> |                | <b>4,228</b>      | <b>(77,567)</b> | <b>(73,339)</b> |

|  | <b>Interest rates</b> | <b>(*)</b>        | <b>Gold</b>     | <b>Total</b>    |
|--|-----------------------|-------------------|-----------------|-----------------|
|  | <b>(libor)</b>        | <b>Currencies</b> |                 |                 |
| Gains / (losses) unrealized on 12/31/04        | (9,268)               | 9,405             | (55,406)        | (55,269)        |
| Financial settlement                           | 7,354                 | (1,197)           | 6,440           | 12,597          |
| Financial expenses, net                        | 236                   | (3,661)           | 3,936           | 511             |
| Monetary variations, net                       | 422                   | (829)             | 5,290           | 4,883           |
| <b>Gains / (losses) unrealized on 06/30/05</b> | <b>(1,256)</b>        | <b>3,718</b>      | <b>(39,740)</b> | <b>(37,278)</b> |

(\*) Included as others in current assets.

Final maturity dates for the above instruments are as follows:

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

**Table of Contents****5.24- Selling, Administrative and Other Operating Expenses**

|                                  | Quarter        |                |                | Consolidated<br>Accumulated |                | Parent Company<br>Accumulated |                |
|----------------------------------|----------------|----------------|----------------|-----------------------------|----------------|-------------------------------|----------------|
|                                  | 2Q/06          | 1Q/06          | 2Q/05          | 06/30/06                    | 06/30/05       | 06/30/06                      | 06/30/05       |
| <b>Administrative</b>            |                |                |                |                             |                |                               |                |
| Personnel                        | 142,299        | 137,285        | 102,856        | 279,584                     | 206,606        | 146,844                       | 115,921        |
| Services of technical consulting | 33,179         | 38,436         | 42,155         | 71,615                      | 63,157         | 40,937                        | 41,970         |
| Advertising and publicity        | 54,536         | 26,760         | 29,739         | 81,296                      | 44,339         | 79,656                        | 41,960         |
| Depreciation                     | 53,240         | 52,058         | 29,487         | 105,298                     | 59,294         | 77,644                        | 25,635         |
| Travel expenses                  | 13,509         | 10,705         | 15,041         | 24,214                      | 24,045         | 20,575                        | 16,574         |
| Rents and taxes                  | 15,001         | 10,051         | 21,014         | 25,052                      | 33,314         | 11,852                        | 13,731         |
| Community aborigine              | 4,120          | 4,063          | 5,042          | 8,183                       | 9,925          | 8,182                         | 9,925          |
| Other                            | 64,750         | 51,549         | 62,258         | 116,299                     | 124,461        | 25,221                        | 19,083         |
| <b>Sub total</b>                 | <b>380,634</b> | <b>330,907</b> | <b>307,592</b> | <b>711,541</b>              | <b>565,141</b> | <b>410,911</b>                | <b>284,799</b> |
| Sales                            | 131,160        | 104,886        | 95,514         | 236,046                     | 195,663        | 3,188                         | 597            |
| <b>Total</b>                     | <b>511,794</b> | <b>435,793</b> | <b>403,106</b> | <b>947,587</b>              | <b>760,804</b> | <b>414,099</b>                | <b>285,396</b> |

|  | Quarter        |                |                | Consolidated<br>Accumulated |                | Parent Company<br>Accumulated |                |
|--|----------------|----------------|----------------|-----------------------------|----------------|-------------------------------|----------------|
|  | 2Q/06          | 1Q/06          | 2Q/05          | 06/30/06                    | 06/30/05       | 06/30/06                      | 06/30/05       |
| <b>Other operating expenses (income)</b> |                |                |                |                             |                |                               |                |
| Provisions for contingencies             | 44,334         | 31,020         | 34,490         | 75,354                      | 60,128         | 10,795                        | 54,000         |
| Provision for loss on ICMS credits       | 13,935         | 14,858         | 8,709          | 28,793                      | 28,269         |                               |                |
| Provision for profit sharing             | 78,441         | 62,449         | 59,992         | 140,890                     | 106,681        | 108,000                       | 90,000         |
| Donations                                | 2,573          | 3,298          | 32,478         | 5,871                       | 38,368         | 5,290                         | 32,253         |
| Pension plan                             |                |                | 17,000         |                             | 17,000         |                               | 17,000         |
| Copper expenses                          |                |                | 19,585         |                             | 19,585         |                               | 19,450         |
| Other                                    | 36,619         | 77,200         | 47,516         | 113,819                     | 70,607         | 120,690                       | (35,302)       |
| <b>Total</b>                             | <b>175,902</b> | <b>188,825</b> | <b>219,770</b> | <b>364,727</b>              | <b>340,638</b> | <b>244,775</b>                | <b>177,401</b> |

**Table of Contents****6- Attachment I Statement of Investments in Subsidiaries and Jointly-Controlled Companies**

| Participation (%) |        | Assets    |           |   | Liabilities and stockholders' equity |   |                 | Cost of Operating products and income op |                     |           |
|-------------------|--------|-----------|-----------|---|--------------------------------------|---|-----------------|--|---------------------|-----------|
| Total             | Voting | Current   | Long-term | Non-current assets Investments, property plant and equipment and deferred charges | Current                              | Long-term, deferred income and minority stockholders interest | Adjusted equity | Net revenues                             | services (expenses) | income op |
| 51,00             | 51,00  | 668.056   | 1.324.997 | 1.052.653   | 538.679                              | 1.104.404   | 1.402.623       | 1.189.176                                | (743.861)           | (82.433)  |
| 57,03             | 61,74  | 727.051   | 183.857   | 3.489.277   | 381.365                              | 1.272.634   | 2.746.186       | 1.193.679                                | (678.810)           | (66.545)  |
| 100,00            | 100,00 | 2.314     | 32.973    | 539   | 13.440                               |   | 22.386          |  |                     | (1.456)   |
| 100,00            | 100,00 | 2.805.594 | 114.354   | 1.987.832   | 641.933                              | 936.914   | 3.328.933       | 2.438.186                                | (1.018.006)         | (282.950) |
| 100,00            | 100,00 | 55.953    | 163.342   | 3.859   | 139.382                              | 81.913  | 1.859           |  |                     | 4.376     |
| 100,00            | 100,00 | 184.157   | 5.959     | 146.791   | 73.011                               |   | 263.896         | 120.795                                  | (47.781)            | 3.277     |
| 100,00            | 100,00 | 690.207   | 653.013   | 820.848   | 1.537.213                            | 43.438  | 583.417         | 1.356.248                                | (886.701)           | (22.339)  |
| 100,00            | 100,00 | 3.105     | 318.746   | 147   | 20.683                               | 269.342   | 31.973          |  |                     | (11.211)  |
| 100,00            | 100,00 | 323.695   | 132.596   | 1.471.915   | 207.234                              | 1.894.803   | (173.831)       | 342.270                                  | (349.524)           | (45.416)  |
| 77,97             | 77,97  | 125.298   |           | 272.904   | 307.867                              | 566   | 89.769          | 43.084                                   | (46.337)            | (29.968)  |
| 100,00            | 100,00 | 60.723    | 32.314    | 3.731   | 40.209                               | 32.686  | 23.873          |  |                     | 2.211     |
| 100,00            | 100,00 | 7.763.585 | 9.928.021 | 3.826.956   | 2.983.031                            | 5.939.229   | 12.596.302      | 7.780.826                                | (5.702.546)         | (134.005) |
| 100,00            | 100,00 | 129       |           | 1.601.013   | 16.322                               | 1.773.342   | (188.522)       |  |                     | (71.826)  |
| 100,00            | 100,00 | 296.795   | 23.478    | 546.506   | 73.152                               | 551.316   | 242.311         | 27.274                                   | (8.241)             | (17.547)  |
| 100,00            | 100,00 | 543       |           |   | 8.779                                | 137   | (8.373)         |  | (647)               | 156.605   |
| 100,00            | 100,00 | 226.924   | 210       | 76.990  | 112.951                              | 2.173   | 189.000         | 226.253                                  | (228.494)           | (12.361)  |
| 100,00            | 100,00 | 62.392    | 7.674     | 65.512  | 64.232                               | 15.044  | 56.302          | 82.403                                   | (71.522)            | (17.026)  |
| 100,00            | 100,00 | 460.975   | 211.527   | 393.602   | 283.022                              | 187.684   | 595.398         | 302.593                                  | (263.809)           | (74.191)  |
| 100,00            | 100,00 | 1.558     |           | 851.275   | 340                                  | 576.358   | 276.135         |  |                     |           |
| 100,00            | 99,89  | 38.448    | 7.180     | 55.382  | 22.769                               | 8.269   | 69.972          | 56.537                                   | (42.082)            | (1.515)   |
| 100,00            | 100,00 | 90.459    | 17.727    | 70.292  | 25.177                               | 100.704   | 52.597          | 65.032                                   | (36.186)            | (16.164)  |

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|       |        |         |           |           |           |           |         |           |             |           |
|-------|--------|---------|-----------|-----------|-----------|-----------|---------|-----------|-------------|-----------|
| 00,00 | 100,00 | 153.094 | 4.524.580 |           | 153.093   | 4.524.580 | 1       |           |             |           |
| 00,00 | 50,00  | 993.000 | 5.060     | 510.565   | 361.334   | 324.644   | 822.647 | 1.461.484 | (1.174.002) | (100.720) |
| 00,00 | 50,00  | 119.804 | 42.417    | 242.270   | 171.633   | 78.984    | 153.874 | 390.305   | (299.337)   | 4.559     |
| 00,89 | 51,00  | 239.967 | 45.855    | 73.584    | 170.157   | 47.682    | 141.567 | 315.935   | (254.921)   | (14.147)  |
| 00,90 | 51,00  | 196.751 | 57.364    | 74.009    | 134.387   | 65.609    | 128.128 | 300.658   | (248.533)   | (10.145)  |
| 01,00 | 51,11  | 278.165 | 86.603    | 124.619   | 311.095   | 29.674    | 148.618 | 573.082   | (458.367)   | (11.068)  |
|       |        | 293.777 | 10.659    | 114.451   | 65.196    | 20.892    | 332.799 | 226.900   | (134.188)   | (48.894)  |
| 00,00 | 50,00  | 21.987  | 14.165    | 86.553    | 2.467     | 23.187    | 97.051  | 12.303    | (5.378)     | (3.501)   |
| 00,00 | 40,00  | 136.093 | 495.455   | 952.329   | 630.344   | 231.458   | 722.075 | 418.817   | (249.658)   | 3.397     |
| 00,45 | 37,23  | 681.867 | 295.004   | 1.267.455 | 731.283   | 670.930   | 842.113 | 885.406   | (492.228)   | (69.013)  |
| 00,00 | 50,00  | 757.978 | 129.424   | 1.572.801 | 1.399.605 | 161.561   | 899.037 | 1.133.523 | (390.071)   | (149.175) |
| 04,51 | 54,51  | 206.595 | 67.356    | 119.494   | 57.118    | 31.860    | 304.467 | 276.550   | (204.856)   | (14.438)  |
| 00,00 | 100,00 | 36.254  |           | 51.472    | 1.114     |           | 86.612  | 14.719    | (2.174)     | (17.534)  |

Notes:

- (a) The amounts above correspond to totals presented in the quarterly information of these companies on June 30, 2006 adjusted and unaudited;
- (b) The quarterly information of Caemi are consolidated and include R\$124,746 of minority interests. Interest beginning on 03/31/06 (note 5.5);
- (c) Dividends received during the period: Baovale R\$963, Belém R\$19,818, Caemi R\$334,238, Docenave R\$70,134, Hispanobrás R\$29,950, Itabasco R\$25,450, Kobrasco R\$24,193, MRN R\$10,183, MRN R\$128,000, MSG R\$1,480, Nibrasco R\$46,713, Samarco R\$54,238 and TVV R\$18,787;
- (d) Previously known as Itabira Rio Doce Company Ltd. ITACO; and
- (e) Investment sold on 05/29/06 and the last financial statement available refers to 04/06 (note 5.7). Additional information of the main investees companies available on the CVRD website, [www.cvrd.com.br](http://www.cvrd.com.br), investors relations.

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**7- Report of the Independent Accountants on Limited Review**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

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**Table of Contents****B Additional Information (not reviewed)****8 Management's Discussion and Analysis of the Operating Results for the Year Ended June 30, 2006 and Supplemental Information**

According to corporate governance best practices and with the objective of increasing the transparency of operations, CVRD presents additional information, which was reviewed by independent auditors.

As a result of the analysis some general aspects must be considered, as follows:

On 06/30/06, about 92% of the consolidated gross revenue and 30% of consolidated total cost are linked to the U.S. dollar. Consequently, fluctuations in the exchange rate variation between the two currencies have a significant impact on the operating results.

Approximately 86% of consolidated short-term and long-term loans on 06/30/06 are denominated in U.S. dollars. As a result, exchange rate fluctuations have a significant impact on the financial expenses and income.

The average Dollar rate fell 15% between periods (R\$2.1927 on 06/30/06 against R\$2.5727 in 06/30/05), partially offset by price increases, and the end rate fell 8% (R\$2.1643 in 06/30/06 against R\$2.3504 in 06/30/05).

In 2006, iron ore prices increased by 19% and pellets prices decreased by 3%.

**The consolidated Trade Balance was:**

|         | <b>In US\$ million</b> |              |                |                 |                 |
|---------|------------------------|--------------|----------------|-----------------|-----------------|
|         |                        |              | <b>Quarter</b> |                 |                 |
|         | <b>2Q/06</b>           | <b>1Q/06</b> | <b>2Q/05</b>   | <b>06/30/06</b> | <b>06/30/05</b> |
| Exports | 2,543                  | 2,282        | 1,951          | 4,825           | 3,287           |
| Imports | (221)                  | (228)        | (134)          | (449)           | (375)           |
|         | <b>2,322</b>           | <b>2,054</b> | <b>1,817</b>   | <b>4,376</b>    | <b>2,912</b>    |

**Table of Contents****8.1- Comments on Consolidated Operating Results****8.1.1- Gross revenue**

|  | In thousands of metric tons (except railroad transportation) |               |               |                |                | In thousands of reais |                  |                   |                   |                   |
|--|--|---------------|---------------|----------------|----------------|-----------------------|------------------|-------------------|-------------------|-------------------|
|  | Quarter  |               | Accumulated   |                |                | Quarter               |                  | Accumulated       |                   |                   |
|  | 2Q/06  | 1Q/06         | 2Q/05         | 06/30/06       | 06/30/05       | 2Q/06                 | 1Q/06            | 2Q/05             | 06/30/06          | 06/30/05          |
| Iron ore                                       | 59,703   | 54,860        | 52,969        | 114,563        | 102,128        | 5,129,829             | 4,146,849        | 5,072,201         | 9,276,678         | 7,825,608         |
| Pellets (*)                                    | 7,438  | 7,767         | 8,748         | 15,205         | 18,473         | 1,224,643             | 1,351,640        | 1,955,682         | 2,576,283         | 3,143,813         |
|  | <b>67,141</b>  | <b>62,627</b> | <b>61,717</b> | <b>129,768</b> | <b>120,601</b> | <b>6,354,472</b>      | <b>5,498,489</b> | <b>7,027,883</b>  | <b>11,852,961</b> | <b>10,969,421</b> |
| Manganese                                      | 198  | 149           | 194           | 347            | 392            | 25,581                | 24,869           | 62,013            | 50,450            | 125,368           |
| Ferroalloys                                    | 144  | 126           | 151           | 270            | 287            | 274,665               | 231,493          | 380,969           | 506,158           | 815,853           |
|  |  |               |               |                |                | <b>300,246</b>        | <b>256,362</b>   | <b>442,982</b>    | <b>556,608</b>    | <b>941,221</b>    |
| Copper   | 105  | 70            | 105           | 175            | 190            | 447,328               | 241,738          | 228,570           | 689,066           | 428,550           |
| Potash   | 121  | 103           | 129           | 224            | 267            | 49,377                | 48,888           | 75,506            | 98,265            | 155,879           |
| Kaolin   | 305  | 321           | 303           | 626            | 583            | 100,151               | 106,327          | 110,955           | 206,478           | 215,531           |
|  |  |               |               |                |                | <b>596,856</b>        | <b>396,953</b>   | <b>415,031</b>    | <b>993,809</b>    | <b>799,960</b>    |
| Railroad transportation (millions of TKU) (**) | 10,374   | 8,335         | 10,019        | 18,709         | 18,352         | 688,756               | 534,837          | 630,946           | 1,223,593         | 1,136,458         |
| Port services                                  | 7,781  | 6,189         | 8,280         | 13,970         | 14,593         | 127,014               | 105,654          | 122,875           | 232,668           | 237,250           |
| Boat services                                  |  |               |               |                |                | 12,670                | 12,915           | 16,164            | 25,585            | 32,214            |
| Maritime transportation                        |  |               |               |                |                | 67,528                | 50,238           | 77,982            | 117,766           | 166,508           |
|  |  |               |               |                |                | <b>895,968</b>        | <b>703,644</b>   | <b>847,967</b>    | <b>1,599,612</b>  | <b>1,572,430</b>  |
| Aluminum                                       | 125  | 124           | 123           | 249            | 245            | 736,242               | 651,097          | 582,268           | 1,387,339         | 1,193,490         |
| Alumina  | 867  | 490           | 367           | 1,357          | 831            | 743,806               | 336,068          | 237,726           | 1,079,874         | 596,429           |
| Bauxite  | 1,056  | 1,108         | 1,401         | 2,164          | 2,634          | 64,248                | 65,387           | 108,176           | 129,635           | 178,219           |
|  |  |               |               |                |                | <b>1,544,296</b>      | <b>1,052,552</b> | <b>928,170</b>    | <b>2,596,848</b>  | <b>1,968,138</b>  |
| Steel  |  |               |               |                |                | 381,832               | 348,909          | 378,697           | 730,741           | 830,850           |
| Pig iron                                       | 71   |               |               | 71             |                | 42,769                |                  |                   | 42,769            |                   |
| Coal   |  | 46            |               | 46             |                |                       | 9,054            |                   | 9,054             |                   |
| Other products and services                    |  |               |               |                |                | 14,226                | 15,161           | 10,718            | 29,387            | 21,791            |
|  |  |               |               |                |                | <b>10,130,665</b>     | <b>8,281,124</b> | <b>10,051,448</b> | <b>18,411,789</b> | <b>17,103,811</b> |

- (\*) Includes revenues derived from services provided to pelletizing joint ventures in the amounts of R\$16,799, R\$17,891, R\$12,689, R\$34,690 and R\$33,902 referring to the 2Q/06, 1Q/06, 2Q/05, 1H/06 and 1H/05, respectively.
- (\*\*) The Company carried through its railroad system 7,962, 6,170, 7,755, 14,132 and 13,764 million of TKUs of general cargo and 2,412, 2,165, 2,264, 4,577 and 4,588 million of TKUs of iron ore for third parties in 2Q/06, 1Q/06, 2Q/05, 1H/06 and 1H/05, respectively.

**Table of Contents**

Sales volume and revenues by products and services:

The 8% gross revenue increase, from R\$17,103,811 to R\$18,411,789 was due to:

Reference price increase of 19% for iron ore and decreased 3% for pellets;

Increase of copper prices;

Increase of iron ore volumes sold; and

Beginning of the sale of pig iron and coal in 2006.

The above effects were partially offset by:

The devaluation of the average dollar compared with the real was 15%; and

Decrease in ferroalloys prices (due to increase of offer began by the end of 2004) and the decline of manganese volume sold.

**Gross consolidated revenue by segment**

| Ferrous Minerals | Non - Ferrous Minerals | Logistics      | Holdings         |                |  | Quarter           |            |                  |            |                   |            |                   |           |
|------------------|------------------------|----------------|------------------|----------------|--|-------------------|------------|------------------|------------|-------------------|------------|-------------------|-----------|
|                  |                        |                | Aluminum         | Other          |  | 2Q/06             | %          | 1Q/06            | %          | 2Q/05             | %          | 06/30/06          | %         |
| 421,898          | 168                    | 16,574         | 217,350          |                |  | 655,990           | 6          | 566,971          | 7          | 748,101           | 7          | 1,222,961         |           |
| 207,752          | 5,545                  |                | 33,212           | 424,601        |  | 671,110           | 7          | 525,912          | 6          | 715,247           | 7          | 1,197,022         |           |
| 627,634          | 87,168                 |                | 1,263            |                |  | 716,065           | 7          | 616,179          | 7          | 876,238           | 9          | 1,332,244         |           |
| 264,927          | 12,039                 |                |                  |                |  | 276,966           | 3          | 221,922          | 3          | 373,614           | 4          | 498,888           |           |
| 191,105          | 494                    |                | 5,983            |                |  | 197,582           | 2          | 165,779          | 2          | 162,813           | 2          | 363,361           |           |
| 807,079          | 144,918                |                | 550,734          |                |  | 1,502,731         | 15         | 1,171,010        | 14         | 1,613,854         | 16         | 2,673,741         | 1         |
| 429,327          | 989                    |                | 176,288          |                |  | 606,604           | 6          | 412,456          | 5          | 721,516           | 7          | 1,019,060         |           |
| 1,702,011        | 11,772                 | 12,102         | 124,272          |                |  | 1,850,157         | 18         | 1,494,737        | 18         | 1,128,828         | 11         | 3,344,894         | 1         |
| 170,674          | 1,389                  |                |                  |                |  | 172,063           | 2          | 293,866          | 4          | 189,524           | 2          | 465,929           |           |
| 537,819          | 16,139                 |                | 309,762          |                |  | 863,720           | 9          | 836,807          | 10         | 841,129           | 8          | 1,700,527         |           |
| 279,600          | 243,656                |                |                  |                |  | 523,256           | 5          | 214,642          | 3          | 358,044           | 4          | 737,898           |           |
| <b>5,639,826</b> | <b>524,277</b>         | <b>28,676</b>  | <b>1,418,864</b> | <b>424,601</b> |  | <b>8,036,244</b>  | <b>80</b>  | <b>6,520,281</b> | <b>79</b>  | <b>7,728,908</b>  | <b>77</b>  | <b>14,556,525</b> | <b>8</b>  |
| <b>1,042,630</b> | <b>72,579</b>          | <b>852,612</b> | <b>126,589</b>   | <b>11</b>      |  | <b>2,094,421</b>  | <b>20</b>  | <b>1,760,843</b> | <b>21</b>  | <b>2,322,540</b>  | <b>23</b>  | <b>3,855,264</b>  | <b>1</b>  |
| <b>6,682,456</b> | <b>596,856</b>         | <b>881,288</b> | <b>1,545,453</b> | <b>424,612</b> |  | <b>10,130,665</b> | <b>100</b> | <b>8,281,124</b> | <b>100</b> | <b>10,051,448</b> | <b>100</b> | <b>18,411,789</b> | <b>10</b> |

**Table of Contents****8.1.2 Cost of products and services**

By nature

|                            | Denominated in   |                  | 2Q/06            | 1Q/06            | Quarter          | Accumulated      |                  |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                            | R\$              | US\$             |                  |                  | 2Q/05            | 06/30/06         | 06/30/05         |
| Personnel                  | 373,324          | 30,616           | 403,940          | 372,415          | 340,120          | 776,355          | 654,291          |
| Material                   | 634,157          | 178,901          | 813,058          | 711,774          | 791,828          | 1,524,832        | 1,506,849        |
| Oil and gas                | 398,231          | 132,672          | 530,903          | 456,295          | 446,398          | 987,198          | 852,907          |
| Outsourced services        | 709,243          | 221,470          | 930,713          | 865,001          | 794,865          | 1,795,714        | 1,553,027        |
| Energy                     | 326,236          | 12,003           | 338,239          | 303,779          | 371,472          | 642,018          | 689,017          |
| Raw Material               | 19,603           | 534,188          | 553,791          | 523,838          | 569,851          | 1,077,629        | 1,162,855        |
| Depreciation and depletion | 378,198          | 13,663           | 391,861          | 367,628          | 361,793          | 759,489          | 708,526          |
| Amortization of goodwill   | 94,090           |                  | 94,090           | 91,987           | 96,095           | 186,077          | 192,190          |
| Others                     | 128,986          | 165,141          | 294,127          | 251,993          | 238,238          | 546,120          | 475,977          |
| <b>Total</b>               | <b>3,062,068</b> | <b>1,288,654</b> | <b>4,350,722</b> | <b>3,944,710</b> | <b>4,010,660</b> | <b>8,295,432</b> | <b>7,795,639</b> |
|                            | <b>70%</b>       | <b>30%</b>       |                  |                  |                  |                  |                  |

The 6% increase in the cost of products and services (R\$8,295,432 on 06/30/06 against R\$7,795,639 on 06/30/05) is due to increase in sales volumes and changes in the prices of materials, oil, energy and services which comprise production cost during the period.

**8.1.3 Selling expenses and administrative expenses**

Selling expenses increased by 21%, from R\$195,663 on 06/30/05 to R\$236,048 on 06/30/06. Administrative expenses increased by 26% from R\$565,141 on 06/30/05 to R\$711,541 on 06/30/06, basically due to personnel agreements and expenses with depreciation.

**8.1.4 Research and development**

Research and development increased by 56%, from R\$242,575 on 06/30/05 to R\$378,088 on 06/30/06, reflecting CVRD expansion plan to diversify production and expansion of production to meet world demand.

**8.1.5 Other operating expenses**

Other operating expenses increased by R\$24,089, from R\$340,638 on 06/30/05 to R\$364,727 on 06/30/06.

**8.1.6 Net financial results**

The net financial result had an impact of R\$532,883 (expense of R\$725,459 on 06/30/06 compared to expense of R\$192,576 on 06/30/05) due to exchange rate variation effect over the foreign debt, that was partially compensated with the exchange variation on cash equivalents.

**Table of Contents****8.1.7 Income tax and social contribution**

Income tax and social contribution reflect an expense of R\$1,178,436 on 06/30/06 compared with an expense of R\$1,451,423 on 06/30/05, mainly caused by decrease of taxable income.

**8.1.8 Cash generation**

The operating cash generation measured by EBITDA (earnings before financial results, results of equity investments, interest, income tax and depreciation, amortization and depletion, more dividends received) was R\$8,906,751 on 06/30/06, against R\$8,182,997 on 06/30/05, an increase of 9%.

EBITDA is not a BR 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.

Our definition of EBITDA may not be comparable with EBITDA as defined by other companies.

Although EBITDA, as defined above, it 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.

**EBITDA**

|   | <b>2Q/06</b>     | <b>1Q/06</b>     | <b>Quarter<br/>2Q/05</b> | <b>06/30/06</b>  | <b>Accumulated<br/>06/30/05</b> |
|---|------------------|------------------|--------------------------|------------------|---------------------------------|
| <b>Operating profit EBIT</b>                              | <b>4,519,423</b> | <b>3,239,886</b> | <b>4,756,473</b>         | <b>7,759,309</b> | <b>7,132,372</b>                |
| Depreciation / amortization<br>of goodwill                | 540,013          | 512,316          | 488,208                  | 1,052,329        | 961,703                         |
|   | <b>5,059,436</b> | <b>3,752,202</b> | <b>5,244,681</b>         | <b>8,811,638</b> | <b>8,094,075</b>                |
| Dividends received  | 93,786           | 1,327            | 88,922                   | 95,113           | 88,922                          |
| <b>EBITDA</b>   | <b>5,153,222</b> | <b>3,753,529</b> | <b>5,333,603</b>         | <b>8,906,751</b> | <b>8,182,997</b>                |
| Depreciation / amortization<br>of goodwill                | (540,013)        | (512,316)        | (488,208)                | (1,052,329)      | (961,703)                       |
| Dividends received  | (93,786)         | (1,327)          | (88,922)                 | (95,113)         | (88,922)                        |
| Equity Results  | (57,280)         | 16,410           | 76,889                   | (40,870)         | 150,408                         |
| Sale of assets  | 736,866          | 19,326           |                          | 756,192          |                                 |
| Financial results, net                                    | (466,405)        | (259,054)        | 81,871                   | (725,459)        | (192,576)                       |
| Income tax and social<br>contribution                     | (593,102)        | (585,334)        | (1,060,879)              | (1,178,436)      | (1,451,423)                     |
| Minority interests  | (234,405)        | (246,672)        | (375,069)                | (481,077)        | (544,306)                       |
| <b>Net income</b>   | <b>3,905,097</b> | <b>2,184,562</b> | <b>3,479,285</b>         | <b>6,089,659</b> | <b>5,094,475</b>                |
| <b>Current liabilities</b>                                |                  |                  |                          |                  |                                 |
| Current portion of<br>long-term debt unrelated<br>parties | 2,514,229        | 2,746,618        | 1,966,679                | 2,514,229        | 1,966,679                       |
| Short-term debt   | 652,389          | 615,994          | 1,165,071                | 652,389          | 1,165,071                       |
| Related parties   | 73,040           | 62,457           | 84,038                   | 73,040           | 84,038                          |
|   | <b>3,239,658</b> | <b>3,425,069</b> | <b>3,215,788</b>         | <b>3,239,658</b> | <b>3,215,788</b>                |
| <b>Long-term liabilities</b>                              |                  |                  |                          |                  |                                 |
|   | 10,576,743       | 10,768,483       | 7,667,145                | 10,576,743       | 7,667,145                       |

|   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Long-term debt unrelated parties          |                   |                   |                   |                   |                   |
| Related parties                           | 2,847             | 3,106             | 33,973            | 2,847             | 33,973            |
|   | <b>10,579,590</b> | <b>10,771,589</b> | <b>7,701,118</b>  | <b>10,579,590</b> | <b>7,701,118</b>  |
| <b>Gross debt</b>                         | <b>13,819,248</b> | <b>14,196,658</b> | <b>10,916,906</b> | <b>13,819,248</b> | <b>10,916,906</b> |
| <b>Interest paid</b>                      | <b>172,247</b>    | <b>227,018</b>    | <b>148,068</b>    | <b>399,265</b>    | <b>375,736</b>    |
| <b>Stockholders equity</b>                | <b>35,578,904</b> | <b>31,727,604</b> | <b>23,262,421</b> | <b>35,578,904</b> | <b>23,262,421</b> |
| <b>EBITDA (LTM) / Interest paid (LTM)</b> | <b>22.98</b>      | <b>23.98</b>      | <b>16.52</b>      | <b>22.98</b>      | <b>16.52</b>      |
| <b>EBITDA Margin (LTM)</b>                | <b>49%</b>        | <b>50%</b>        | <b>47%</b>        | <b>49%</b>        | <b>47%</b>        |
| <b>EBIT Margin (LTM)</b>                  | <b>43%</b>        | <b>44%</b>        | <b>42%</b>        | <b>43%</b>        | <b>42%</b>        |
| <b>Gross debt / EBITDA (LTM)</b>          | <b>0.79</b>       | <b>0.81</b>       | <b>0.75</b>       | <b>0.79</b>       | <b>0.75</b>       |
| <b>Gross debt / Equity Capitalization</b> | <b>28</b>         | <b>31</b>         | <b>32</b>         | <b>28</b>         | <b>32</b>         |
|   |                   | 27                |                   |                   |                   |

**Table of Contents****Consolidated EBITDA by segment**

| Segments             | Quarter          |                  |                  | EBITDA           |                  |
|----------------------|------------------|------------------|------------------|------------------|------------------|
|                      | 2Q/06            | 1Q/06            | 2Q/05            | 06/30/06         | 06/30/05         |
| Ferrous minerals     | 3,656,493        | 2,939,026        | 4,445,461        | 6,595,519        | 6,381,427        |
| Non-ferrous minerals | 339,293          | 116,889          | 82,527           | 456,182          | 186,266          |
| Logistics            | 333,346          | 234,764          | 364,264          | 568,110          | 656,297          |
| Holdings             |                  |                  |                  |                  |                  |
| Aluminum             | 771,774          | 436,262          | 348,276          | 1,208,036        | 802,260          |
| Steel                | 135,247          | 66,651           | 119,974          | 201,898          | 183,646          |
| Others               | (82,931)         | (40,063)         | (26,899)         | (122,994)        | (26,899)         |
|                      | <b>5,153,222</b> | <b>3,753,529</b> | <b>5,333,603</b> | <b>8,906,751</b> | <b>8,182,997</b> |

**8.2 Comments on the Parent Company Results****8.2.1 Gross revenue**

The 2% increase in gross revenue (R\$8,752,856 on 06/30/06 against R\$8,552,428 on 06/30/05) is the result of the 7% increase in sales of iron ore and also for the increase of prices. This effect was compensated in part by the 15% average appreciation of the real against the U. S. dollar. The majority part of revenues is linked to dollar.

**8.2.2 Cost of products and services**

Cost of products and services sold to 06/30/06 was R\$4,882,884 on 06/30/06 against R\$4,503,305 on 06/30/05 representing an 8% increase. The main factors are, higher volumes sold of products in general, contracts readjustments and the increase of assets reflecting increase of expenses related to depreciation.

**8.2.3 Gross margin**

The gross margin increased by 3.2% (41.0% on 06/30/06 against 44.2% on 06/30/05) mainly due to the devaluation of the dollar against the real, since the majority of revenues is linked to dollar.

**8.2.4 Results of shareholdings by business area**

The numbers below do not necessarily reflect the individual results of each company, but rather the amounts effectively applicable to the business area.

| Business Area   | 06/30/06         | 06/30/05         |
|---|------------------|------------------|
| <b>Ferrous Minerals</b>                                       |                  |                  |
| . Iron ore  | 3,875,243        | 1,755,274        |
| . Pellets   | 380,195          | 496,908          |
| . Manganese and ferroalloys                                   | (4,382)          | 170,126          |
| <b>Non-Ferrous Minerals</b>                                   | <b>(22,417)</b>  | <b>(167)</b>     |
| <b>Logistics</b>  | <b>91,970</b>    | <b>131,149</b>   |
| <b>Holdings</b>   |                  |                  |
| . Steel   | 187,100          | 276,804          |
| . Aluminum  | 553,818          | 457,659          |
| . Research and development                                    | (121,968)        | (26,816)         |
| <b>Others</b>   | <b>11,060</b>    | <b>300</b>       |
| <b>Gain on investments accounted for by the equity method</b> | <b>4,950,619</b> | <b>3,261,237</b> |
| Provision for losses  | (58,095)         | (36,311)         |
| Amortization of goodwill                                      | (170,197)        | (114,540)        |
| Exchange variation in Stockholders Equity of companies abroad | (611,129)        | (697,250)        |
| <b>Results of equity investments</b>                          | <b>4,111,198</b> | <b>2,413,136</b> |





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Results of equity investments are strongly affected by the exchange rate variation over debt, which had a positive impact due to the appreciation of the Real against the Dollar in the period ended in June, 2006 of 7% in comparison with a 11% decrease during the period ended in June, 2005. This effect is partially offset by the negative exchange rate variation from investments abroad.

Operationally, volumes and average selling prices increased in iron ore and aluminum areas. This increase was partially compensated by decrease in average selling prices and volume in manganese and ferroalloys, manganese and steel areas. The decrease in pellets is due to reduction of quantities sold.

The negative result of equity in others, as above, refers to expenses with subsidiaries of mineral prospection in Africa, South America and Oceania.

**8.2.5 Selling expenses and administrative expenses**

Selling expenses increased by R\$2,591, from R\$597 on 06/30/05 to R\$3,188 on 06/30/06, while administrative expenses increased by 44%, from R\$284,799 on 06/30/05 to R\$410,911 on 06/30/06, basically due to personnel agreement and expenses with depreciation.

**8.2.6 Research and development**

Research and development increased by 34%, from R\$174,887 on 06/30/05 to R\$235,122 on 06/30/06, reflecting CVRD expansion plan to diversify production and expansion of production to meet world demand.

**8.2.7 Other operating expenses**

Other operating expenses increased by R\$67,374, from R\$177,401 on 06/30/05 to R\$244,775 on 06/30/06.

**8.2.8 Net financial results**

The net financial results on 06/30/06 had an impact of R\$489,373 (expense of R\$33,925 on 06/30/06 compared to expense of R\$455,448 expense on 06/30/05) basically due to exchange rate variation effect of the Real against the dollar over the foreign debt.

**8.2.9 Income tax and social contribution**

Income tax and social contribution reflect an expense of R\$503,273 on 06/30/06 compared with an expense of R\$698,760 on 06/30/05, mainly caused by decrease of taxable income.

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**9- Board of Directors, Fiscal Council, Advisory Committees and Executive Officers**

**Board of Directors**

Sérgio Ricardo Silva Rosa

**Chairman**

Arlindo Magno de Oliveira

Eduardo Fernando Jardim Pinto

Erik Persson

Francisco Augusto da Costa e Silva

Hiroshi Tada

Julio Sérgio Gomes de Almeida

Jorge Luiz Pacheco

Mário da Silveira Teixeira Júnior

Oscar Augusto de Camargo Filho

Renato da Cruz Gomes

**Advisory Committees of the**

**Board of Directors**

**Controlling 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

Demian Fiocca

Mário da Silveira Teixeira Júnior

Oscar Augusto de Camargo Filho

Sérgio Ricardo Silva Rosa

**Finance Committee**

Fábio de Oliveira Barbosa

Rômulo de Mello Dias

Wanderlei Viçoso Fagundes

Ivan Luiz Modesto Schara

**Governance and Sustainability Committee**

Renato da Cruz Gomes

Ricardo Simonsen

Ricardo Carvalho Giambroni

**Fiscal Council**

Marcelo Amaral Moraes

**Chairman**

Anibal Moreira dos Santos

Bernard Appy

José Bernardo de Medeiros Neto

**Executive Officers**

Roger Agnelli

**Chief Executive Officer**

Murilo de Oliveira Ferreira

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

José 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 Relations**

Gabriel Stoliar

**Executive Officer for Planning**

Guilherme Rodolfo Laager

**Executive Officer for Logistics**

Tito Botelho Martins

**Executive Officer for Corporate Affairs**

Otto de Souza Marques Júnior

**Chief Officer of Control Department**

Marcus Vinícius Dias Severini

**Chief Accountant**

**CRC-RJ 093892/O-3**

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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: August 4, 2006

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