

VALLEY OF THE RIO DOCE CO

Form 6-K/A

August 16, 2005

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United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 6-K/A
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 2005
Valley of the Rio Doce Company
(Translation of Registrant's name into English)
Avenida Graça Aranha, No. 26
20005-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

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

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

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes No

(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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EXPLANATORY NOTE

This report on Form 6-K/A amends and restates in its entirety the Form 6-K (SEC Accession No. 0000950123-05-009894) filed by the registrant on August 12, 2005.

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2Q05 Financial Pages (US GAAP F Pages)

Signatures

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This report on Form 6-K is hereby incorporated by reference into the Registration Statement on Form F-3 of Vale Overseas Limited, File No. 333-110867-01 and the Registration Statement on Form F-3 of Companhia Vale do Rio Doce, File No. 333-110867 and shall be deemed to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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**COMPANHIA VALE DO RIO DOCE
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Table of Contents**Condensed Consolidated Balance Sheets
Expressed in millions of United States dollars**

| | June 30, 2005 (unaudited) | December 31, 2004 |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 956 | 1,249 |
| Accounts receivable, net | | |
| Related parties | 252 | 124 |
| Unrelated parties | 1,486 | 905 |
| Loans and advances to related parties | 82 | 56 |
| Inventories | 1,033 | 849 |
| Deferred income tax | 215 | 203 |
| Recoverable taxes | 250 | 285 |
| Others | 360 | 219 |
| | 4,634 | 3,890 |
| Property, plant and equipment, net | 11,514 | 9,063 |
| Investments in affiliated companies and joint ventures and other investments, net of provision for losses on equity investments | 1,508 | 1,159 |
| Other assets | | |
| Goodwill on acquisition of subsidiaries | 546 | 486 |
| Loans and advances | | |
| Related parties | 44 | 55 |
| Unrelated parties | 58 | 56 |
| Prepaid pension cost | 248 | 170 |
| Deferred income tax | 33 | 70 |
| Judicial deposits | 622 | 531 |
| Unrealized gain on derivative instruments | 2 | 4 |
| Others | 358 | 231 |
| | 1,911 | 1,603 |
| TOTAL | 19,567 | 15,715 |

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

(Continued)

| | June 30, 2005 (unaudited) | December 31, 2004 |
|----------------------------------------------------------------------------------------|------------------------------------------|----------------------------------|
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Suppliers | 971 | 689 |
| Payroll and related charges | 132 | 141 |
| Interest attributed to stockholders | 16 | 11 |
| Current portion of long-term debt - unrelated parties | 685 | 730 |
| Short-term debt | 346 | 74 |
| Loans from related parties | 50 | 52 |
| Provision for taxes | 382 | 459 |
| Provision for operational expenses | 157 | 64 |
| Others | 263 | 235 |
| | 3,002 | 2,455 |
| Long-term liabilities | | |
| Employees post-retirement benefits | 229 | 215 |
| Long-term debt - unrelated parties | 3,072 | 3,214 |
| Loans from related parties | 15 | 18 |
| Provisions for contingencies (Note 9) | 1,318 | 914 |
| Unrealized loss on derivative instruments | 115 | 236 |
| Provisions for environmental liabilities | 159 | 134 |
| Others | 339 | 350 |
| | 5,247 | 5,081 |
| Minority interests | 1,069 | 788 |
| Stockholders' equity | | |
| Preferred class A stock - 1,800,000,000 no-par-value shares authorized and 415,727,739 | 2,150 | 1,176 |
| Common stock - 900,000,000 no-par-value shares authorized and 749,949,429 issued | 3,806 | 2,121 |
| Treasury stock - 11,803 (2004 - 11,951) preferred and 14,145,510 common shares | (88) | (88) |
| Additional paid-in capital | 498 | 498 |
| Other cumulative comprehensive loss | (2,744) | (3,774) |

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| | | |
|----------------------------------|---------------|---------------|
| Appropriated retained earnings | 1,829 | 4,143 |
| Unappropriated retained earnings | 4,798 | 3,315 |
| | 10,249 | 7,391 |
| TOTAL | 19,567 | 15,715 |

See notes to condensed consolidated financial information.

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

| | June | March | Three-month | Six-month periods | |
|--------------------------------------------------------------|-----------------|-----------------|----------------------|--------------------------|----------------|
| | 30, 2005 | 31, 2005 | periods ended | ended June 30 | |
| | | | June | 2005 | 2004 |
| | | | 30, 2004 | | |
| Operating revenues, net of discounts, returns and allowances | | | | | |
| Sales of ores and metals | 3,077 | 1,748 | 1,520 | 4,825 | 2,774 |
| Revenues from logistic services | 316 | 232 | 220 | 548 | 411 |
| Aluminum products | 327 | 346 | 289 | 673 | 569 |
| Other products and services | 1 | 2 | 4 | 3 | 10 |
| | 3,721 | 2,328 | 2,033 | 6,049 | 3,764 |
| Value-added tax | (185) | (115) | (113) | (300) | (188) |
| Net operating revenues | 3,536 | 2,213 | 1,920 | 5,749 | 3,576 |
| Operating costs and expenses | | | | | |
| Cost of ores and metals sold | (1,134) | (912) | (647) | (2,046) | (1,290) |
| Cost of logistic services | (169) | (143) | (117) | (312) | (232) |
| Cost of aluminum products | (203) | (191) | (143) | (394) | (290) |
| Others | (2) | (1) | (5) | (3) | (8) |
| | (1,508) | (1,247) | (912) | (2,755) | (1,820) |
| Selling, general and administrative expenses | (135) | (113) | (106) | (248) | (207) |
| Research and development | (54) | (34) | (27) | (88) | (50) |
| Employee profit sharing plan | (24) | (17) | (17) | (41) | (30) |
| Others | (44) | (7) | (26) | (51) | (54) |
| | (1,765) | (1,418) | (1,088) | (3,183) | (2,161) |
| Operating income | 1,771 | 795 | 832 | 2,566 | 1,415 |
| Non-operating income (expenses) | | | | | |
| Financial income | 27 | 29 | 19 | 56 | 31 |
| Financial expenses | (51) | (92) | (106) | (143) | (248) |
| Foreign exchange and monetary gains (losses), net | 304 | (2) | (245) | 302 | (287) |
| | 280 | (65) | (332) | 215 | (504) |
| | 2,051 | 730 | 500 | 2,781 | 911 |

Income before income taxes, equity
results and minority interests

Income taxes

| | | | | | |
|----------|--------------|--------------|-------------|--------------|--------------|
| Current | (330) | (160) | (41) | (490) | (138) |
| Deferred | (107) | 47 | (23) | (60) | 9 |
| | (437) | (113) | (64) | (550) | (129) |

Equity in results of affiliates and joint
ventures and change in provision for
losses on equity investments

220 133 150 353 236

Minority interests

(204) (52) (82) (256) (109)

Net income

1,630 698 504 2,328 909

Income available to preferred
stockholders

588 252 182 840 328

Income available to common
stockholders

1,042 446 322 1,488 581

Basic and diluted earnings per Preferred
Class A Share

1.41 0.61 0.44 2.02 0.79

Basic and diluted earnings per Common
Share

1.41 0.61 0.44 2.02 0.79

Weighted average number of shares
outstanding (thousands of shares)

Preferred Class A shares 415,716 415,716 415,713 415,716 415,713

Common shares 735,804 735,804 735,804 735,804 735,804

See notes to condensed consolidated financial information.

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

| | Three-month periods ended | | | Six-month periods ended June 30 | |
|-------------------------------------------------------------------------------------------------------------|---------------------------|------------------|-----------------|---------------------------------|--------------|
| | June 30,2005 | March 31,2005 | June 30,2004 | 2005 | 2004 |
| Cash flows from operating activities: | | | | | |
| Net income | 1,630 | 698 | 504 | 2,328 | 909 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation, depletion and amortization | 136 | 129 | 79 | 265 | 178 |
| Dividends received | 126 | 69 | 60 | 195 | 121 |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | (220) | (133) | (150) | (353) | (236) |
| Deferred income taxes | 107 | (47) | 23 | 60 | (9) |
| Provisions for other contingencies | (8) | (3) | | (11) | |
| Impairment of property, plant and equipment | 12 | 4 | | 16 | |
| Foreign exchange and monetary losses (gains) | (298) | 27 | 291 | (271) | 336 |
| Net unrealized derivative losses (gains) | (85) | (5) | (22) | (90) | 32 |
| Minority interests | 204 | 52 | 82 | 256 | 109 |
| Interest payable, net | 38 | (2) | 27 | 36 | 13 |
| Others | (63) | (17) | 27 | (80) | 9 |
| Decrease (increase) in assets: | | | | | |
| Accounts receivable | (472) | (92) | (132) | (564) | (155) |
| Inventories | (50) | (20) | (67) | (70) | (82) |
| Others | (187) | (74) | 67 | (261) | 42 |
| Increase (decrease) in liabilities: | | | | | |
| Suppliers | 142 | 45 | (59) | 187 | (84) |
| Payroll and related charges | 13 | (35) | (18) | (22) | (21) |
| Taxes payable | 325 | (79) | | 246 | |
| Others | 76 | (86) | (12) | (10) | 135 |
| Cash provided by operating activities | 1,426 | 431 | 700 | 1,857 | 1,297 |
| Cash flows from investing activities: | | | | | |
| Loans and advances receivable | | | | | |
| Related parties | | | | | |
| Additions | (27) | | (6) | (27) | (6) |
| Repayments | 22 | 3 | 5 | 25 | 46 |
| Others | | 1 | 4 | 1 | 19 |
| Guarantees and deposits | (3) | (17) | (18) | (20) | (42) |
| Additions to investments | (90) | (1) | (6) | (91) | (15) |
| Additions to property, plant and equipment | (777) | (661) | (416) | (1,438) | (797) |
| Proceeds Others from disposals of property, plant and equipment | 1 | 2 | | 3 | |

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| | | | | | |
|--------------------------------------------------------------|--------------|--------------|--------------|----------------|--------------|
| Cash used in investing activities | (874) | (673) | (437) | (1,547) | (795) |
| Cash flows from financing activities: | | | | | |
| Short-term debt, net issuances (repayments) | 216 | 21 | (44) | 237 | |
| Loans | | | | | |
| Related parties | | | | | |
| Additions | 3 | 4 | 3 | 7 | 6 |
| Repayments | (9) | (17) | (1) | (26) | (7) |
| Issuances of long-term debt | | | | | |
| Related parties | 11 | 4 | | 15 | |
| Others | 114 | 235 | 227 | 349 | 892 |
| Repayments of long-term debt | | | | | |
| Others | (432) | (156) | (201) | (588) | (671) |
| Interest attributed to stockholders | (500) | | (269) | (500) | (269) |
| Cash provided by (used in) financing activities | (597) | 91 | (285) | (506) | (49) |
| Increase (decrease) in cash and cash equivalents | (45) | (151) | (22) | (196) | 453 |
| Effect of exchange rate changes on cash and cash equivalents | (121) | 24 | (2) | (97) | (5) |
| Initial cash in new consolidated subsidiary | | | | | 26 |
| Cash and cash equivalents, beginning of period | 1,122 | 1,249 | 1,083 | 1,249 | 585 |
| Cash and cash equivalents, end of period | 956 | 1,122 | 1,059 | 956 | 1,059 |
| Cash paid during the period for: | | | | | |
| Interest on short-term debt | | | | | (2) |
| Interest on long-term debt | (35) | (82) | (51) | (117) | (131) |
| Income tax | (171) | (79) | | (250) | |
| Non-cash transactions | | | | | |
| Interest capitalized | (9) | (15) | (6) | (24) | (11) |
| Income tax paid with credits | (53) | (27) | (64) | (80) | (61) |

See notes to condensed consolidated financial information.

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

| | Three-month periods ended | | | Six-month periods ended June | |
|-------------------------------------------------------------|----------------------------------|-----------------|-----------------|-------------------------------------|----------------|
| | June | March | June | | 30 |
| | 30, 2005 | 31, 2005 | 30, 2004 | 2005 | 2004 |
| Preferred class A stock (including three special shares) | | | | | |
| Beginning of the period | 1,176 | 1,176 | 1,055 | 1,176 | 1,055 |
| Transfer from appropriated retained earnings | 974 | | 121 | 974 | 121 |
| End of the period | 2,150 | 1,176 | 1,176 | 2,150 | 1,176 |
| Common stock | | | | | |
| Beginning of the period | 2,121 | 2,121 | 1,902 | 2,121 | 1,902 |
| Transfer from appropriated retained earnings | 1,685 | | 219 | 1,685 | 219 |
| End of the period | 3,806 | 2,121 | 2,121 | 3,806 | 2,121 |
| Treasury stock | | | | | |
| End of the period | (88) | (88) | (88) | (88) | (88) |
| Additional paid-in capital | | | | | |
| End of the period | 498 | 498 | 498 | 498 | 498 |
| Other cumulative comprehensive loss | | | | | |
| Cumulative translation adjustments | | | | | |
| Beginning of the period | (3,891) | (3,869) | (4,480) | (3,869) | (4,449) |
| Change in the period | 1,032 | (22) | (277) | 1,010 | (308) |
| End of the period | (2,859) | (3,891) | (4,757) | (2,859) | (4,757) |
| Unrealized gain on available-for-sale securities | | | | | |
| Beginning of the period | 116 | 95 | 77 | 95 | 74 |
| Change in the period | (1) | 21 | (16) | 20 | (13) |
| End of the period | 115 | 116 | 61 | 115 | 61 |
| | (2,744) | (3,775) | (4,696) | (2,744) | (4,696) |

Total other cumulative
comprehensive lossAppropriated retained
earnings

| | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Beginning of the period | 4,126 | 4,143 | 3,016 | 4,143 | 3,035 |
| Transfer (to) from retained earnings | 362 | (17) | (175) | 345 | (194) |
| Transfer to capital stock | (2,659) | | (340) | (2,659) | (340) |
| End of the period | 1,829 | 4,126 | 2,501 | 1,829 | 2,501 |

Retained earnings

| | | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Beginning of the period | 4,030 | 3,315 | 3,119 | 3,315 | 2,857 |
| Net income | 1,630 | 698 | 504 | 2,328 | 909 |
| Interest attributed to stockholders | | | | | |
| Preferred class A stock | (180) | | (48) | (180) | (106) |
| Common stock | (320) | | (83) | (320) | (187) |
| Appropriation (to) from reserves | (362) | 17 | 175 | (345) | 194 |
| End of the period | 4,798 | 4,030 | 3,667 | 4,798 | 3,667 |

| | | | | | |
|----------------------------|---------------|--------------|--------------|---------------|--------------|
| Total stockholders' equity | 10,249 | 8,088 | 5,179 | 10,249 | 5,179 |
|----------------------------|---------------|--------------|--------------|---------------|--------------|

Comprehensive income is
comprised as follows:

| | | | | | |
|--------------------------------------------------|--------------|------------|------------|--------------|------------|
| Net income | 1,630 | 698 | 504 | 2,328 | 909 |
| Cumulative translation adjustments | 1,032 | (22) | (277) | 1,010 | (308) |
| Unrealized gain on available-for-sale securities | (1) | 21 | (16) | 20 | (13) |
| Total comprehensive income | 2,661 | 697 | 211 | 3,358 | 588 |

SharesPreferred class A stock
(including three special
shares)

| | | | | | |
|----------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Preferred class A stock (including three special shares) | 415,727,739 | 415,727,739 | 415,727,739 | 415,727,739 | 415,727,739 |
| Common stock | 749,949,429 | 749,949,429 | 749,949,429 | 749,949,429 | 749,949,429 |
| Treasury stock (1) | | | | | |
| Beginning of the period | (14,157,325) | (14,157,461) | (14,158,059) | (14,157,461) | (14,158,059) |
| Sales | 12 | 136 | | 148 | |
| End of the period | (14,157,313) | (14,157,325) | (14,158,059) | (14,157,313) | (14,158,059) |

| | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 1,151,519,855 | 1,151,519,843 | 1,151,519,109 | 1,151,519,855 | 1,151,519,109 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|

Interest attributed to stockholders (per share)

| | | | | |
|-------------------------------------------------------------|------|------|------|------|
| Preferred class A stock (including three special shares) | 0.43 | 0.11 | 0.43 | 0.25 |
| Common stock | 0.43 | 0.11 | 0.43 | 0.25 |

(1) As of June 30, 2005, 14,145,510 common shares and 11,803 preferred shares were held in treasury in the amount of US\$ 88. The 14,145,510 common shares guarantee a loan of our subsidiary Alunorte.

See notes to condensed consolidated financial information.

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Table of Contents**Notes to the Condensed Consolidated Financial Information
Expressed in millions of United States dollars, unless otherwise stated (Unaudited)****1 The Company and its operations**

Companhia Vale do Rio Doce (CVRD) is a limited liability company, duly organized and existing under the laws of the Federative Republic of Brazil. Our operations are carried out through CVRD and its subsidiary companies, joint ventures and affiliates, and mainly consist of mining, non-ferrous metal production and logistics, as well as energy, aluminum and steel activities. Further details of our joint ventures and affiliates are described in Note 7.

The main operating subsidiaries we consolidate are as follows:

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

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

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

2 Basis of consolidation

All majority-owned subsidiaries where we have both share and management control are consolidated, with elimination of all significant intercompany accounts and transactions. Additionally, variable interest entities in which we are the primary beneficiary (FASB Interpretation FIN No. 46 Consolidation of Variable Interest Entities (revised December 2003)) are consolidated as from January 1, 2004. Investments in unconsolidated affiliates and joint ventures are reported at cost plus our equity in undistributed earnings or losses. Included in this category are certain joint ventures in which we have majority ownership but, by force of shareholders agreements, do not have effective management control. We provide for losses on equity investments with negative stockholders equity where applicable.

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

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

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

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3 Summary of significant accounting policies

Our condensed consolidated interim financial information for the three-month periods ended June 30, 2005, March 31, 2005 and June 30, 2004 and for the six-month periods ended June 30, 2005 and 2004 is unaudited. However, in our opinion, such condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for interim periods. The results of operations for the three and six month period ended June 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2005.

In preparing the consolidated financial statements, we are required to use estimates to account for certain assets, liabilities, revenues and expenses. Our consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, provisions necessary for contingent liabilities, fair values assigned to assets and liabilities acquired in business combinations, income tax valuation allowances, employee post-retirement benefits and other similar evaluations, actual results may vary from our estimates.

Exchange rates at June 30, 2005, March 31, 2005 and December 31, 2004 were R\$2,3504: US\$1.00, R\$2,6662: US\$1.00 and R\$2,6544: US\$1.00, respectively.

4 Recently-issued accounting pronouncements

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

In March 2005, the FASB issued FSP FIN 46(R)-5, *Consolidation of Variable Interests Entities* to address whether a reporting enterprise should consider whether it holds an implicit variable interest in a variable interest entity (VIE) or potential VIE when specific conditions exist. We adopted FIN 46R and we do not expect FSP FIN 46(R)-5 to have any impact on our financial position, results of operations or cash flows.

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

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment* which sets accounting requirements for share-based compensation to employees, including employee-stock-purchase-plans (ESPPs) and provides guidance on accounting for awards to non-employees. Which did not have a significant impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets* an amendment of APB No. 29. We will apply this Statement in the event exchanges of nonmonetary assets occur in fiscal periods beginning after June 15, 2005.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs* an amendment of ARB No. 43, Chapter 4 that deals with inventory pricing. We have already adopted this new Statement, which did not have a significant impact on our financial position, results of operations or cash flows.

In September 2004, the FASB issued FSP EITF Issue 03-1-1, which delayed the effective date of paragraphs 10-20 of EITF Issue No. 03-1, *The Meaning of Other-Than-Temporary*

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Impairment and Its Application to Certain Investments. We do not expect EITF Issue No. 03-01 to have any impact on our financial position, results of operations or cash flows.

5 Income taxes

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

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

| | Three-month periods ended | | | Six-month periods ended June 30 | |
|-----------------------------------------------------------------------------------------|------------------------------|----------------------|---------------------|---------------------------------------|--------------|
| | June 30, 2005 | March 31, 2005 | June 30, 2004 | 2005 | 2004 |
| Income before income taxes, equity results and minority interests | 2,051 | 730 | 500 | 2,781 | 911 |
| Federal income tax and social contribution expense at statutory enacted rates | (697) | (248) | (171) | (945) | (310) |
| Adjustments to derive effective tax rate: | | | | | |
| Tax benefit on interest attributed to stockholders | 131 | 54 | 44 | 185 | 99 |
| Exempt foreign income (expenses) | 82 | 46 | 21 | 128 | 35 |
| Difference on tax basis of equity investees | (17) | (4) | (16) | (21) | (30) |
| Tax incentives | 59 | 22 | 3 | 81 | 12 |
| Valuation allowance reversal (provision) | | | 52 | | 52 |
| Other non-taxable gains (losses) | 5 | 17 | 3 | 22 | 13 |
| Federal income tax and social contribution expense in consolidated statements of income | (437) | (113) | (64) | (550) | (129) |

We have certain tax incentives relative to our iron ore and manganese operations in Carajás, potash in Sergipe and relative to alumina and aluminum in Barcarena. The incentives relative to iron ore and manganese comprise full income tax exemption on defined production levels up to 2005 and partial exemption up to 2013. The incentive relating to alumina and potash comprise full income tax exemption on defined production levels which expires in 2010 and 2013, respectively, while the partial exemption incentives relative to aluminum expire in 2013. An amount equal to the tax saving must be appropriated to a reserve account within stockholders' equity and may not be distributed in the form of cash dividends.

6 Inventories

| | June 30, 2005 | December 31, 2004 |
|---------------------------|------------------|----------------------|
| Finished products | | |
| Iron ore and pellets | 224 | 205 |
| Manganese and ferroalloys | 164 | 156 |

| | | |
|--------------------------------------|--------------|------------|
| Aluminum | 53 | 54 |
| Alumina | 22 | 20 |
| Kaolin | 19 | 17 |
| Others | 31 | 11 |
| Spare parts and maintenance supplies | 520 | 386 |
| | 1,033 | 849 |

Table of Contents**7 Investments in affiliated companies and joint ventures**

| | June 30, 2005 | | Investments | | Equity Adjustments | | | | | | Dividends received | | | | Quoted market value | | |
|-------------------------------------------------------|-------------------------------------|----------|----------------------------------|---------------|---------------------------|---------------|-------------------------|---------------|---------------------------|------------|-------------------------|----------------|---------------|-----------|---------------------------|-----------|----|
| | | | | | Three-month periods ended | | Six-month periods ended | | Three-month periods ended | | Six-month periods ended | | | | | | |
| | Participation in capital (%) voting | in total | Net income for the equity period | June 30, 2005 | December 31, 2004 | June 30, 2005 | March 31, 2005 | June 30, 2004 | 2005 | 2004 | June 30, 2005 | March 31, 2005 | June 30, 2004 | 2005 | 2004 | 2003 | |
| Iron | | | | | | | | | | | | | | | | | |
| Companhia S.A. do Tipo-Brasileira de Pelotização (2) | 51.11 | 51.00 | 67 | 28 | 34 | 30 | 11 | 2 | 5 | 13 | 7 | | | | | n/ | |
| Companhia S.A. Hispano-Brasileira de Pelotização (2) | 51.00 | 50.89 | 82 | 32 | 42 | 26 | 14 | 2 | 3 | 16 | 4 | 3 | 1 | 4 | | n/ | |
| Companhia S.A. Soreano-Brasileira de Pelotização (2) | 50.00 | 50.00 | 62 | 33 | 31 | 13 | 14 | 3 | 1 | 17 | 2 | | | | | n/ | |
| Companhia S.A. Sudoeste-Brasileira de Pelotização (2) | 51.00 | 50.90 | 69 | 29 | 35 | 18 | 13 | 1 | 3 | 14 | 4 | | | | | n/ | |
| Investment Company GIIC AMARCO S.A. (3) | 50.00 | 50.00 | 139 | 70 | 70 | 45 | 23 | 12 | 2 | 35 | 6 | 11 | 1 | 11 | 7 | n/ | |
| Mineração S.A. AMARCO (3) | 50.00 | 50.00 | 588 | 182 | 340 | 261 | 56 | 34 | 20 | 90 | 45 | 35 | 20 | 30 | 55 | 49 | n/ |
| Minas da Serra Geral S.A. MSG | 50.00 | 50.00 | 39 | (2) | 19 | 18 | (4) | | (2) | (4) | (2) | | | | | n/ | |
| Others | | | | | 26 | 24 | 1 | (2) | | (1) | (1) | | | | | n/ | |
| | | | | | 597 | 435 | 128 | 52 | 32 | 180 | 65 | 49 | 21 | 31 | 70 | 56 | n/ |
| Logistics | | | | | | | | | | | | | | | | | |
| RS Logística S.A. | 37.23 | 29.35 | 261 | | 75 | 78 | 12 | 10 | 8 | 22 | 14 | 5 | | 5 | | n/ | |
| Others | | | | | | 1 | | | | | | | | | | n/ | |
| | | | | | 75 | 79 | 12 | 10 | 8 | 22 | 14 | 5 | | 5 | | n/ | |

Holdings**Steel**

| | | | | | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-----|------------|------------|-----------|-----------|-----------|------------|------------|-----------|-----------|----------|-----------|-----------|-----------|
| Indústrias Metalúrgicas de Minas Gerais S.A. (SIMINAS) Companhia Metalúrgica de Tubarão CST (1) California Steel Industries Inc. (CSIDERAR) (cost 15) available for sale investments | 22.99 | 11.46 | 2,013 | 864 | 231 | 140 | 57 | 42 | 16 | 99 | 34 | 34 | | | 34 | 13 | 42 |
| | | | | | | | | | 61 | | 78 | | | | | | n/ |
| | 50.00 | 50.00 | 324 | 32 | 162 | 149 | 5 | 11 | 15 | 16 | 14 | | 20 | 2 | 20 | 2 | n/ |
| | 4.85 | 4.85 | | | 130 | 110 | | | | | | | | | | | 13 |
| | | | | | 523 | 399 | 62 | 53 | 92 | 115 | 126 | 34 | 20 | 2 | 54 | 15 | 55 |

Aluminum andauxite

| | | | | | | | | | | | | | | | | | |
|-------------------------------------------------------------------|-------|-------|-----|----|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Mineração Rio do Norte S.A. (MRN) Valesul Alumínio S.A. (VALESUL) | 40.00 | 40.00 | 362 | 80 | 145 | 171 | 17 | 15 | 14 | 32 | 25 | 30 | 28 | 20 | 58 | 41 | n/ |
| | 54.51 | 54.51 | 114 | 7 | 62 | 55 | 1 | 3 | 4 | 4 | 7 | 8 | | 7 | 8 | 9 | n/ |
| | | | | | 207 | 226 | 18 | 18 | 18 | 36 | 32 | 38 | 28 | 27 | 66 | 50 | n/ |

Coal

| | | | | | | | | | | | | | | | | | |
|---------------------------------------------------------------------------------------|--|--|--|--|-----------|-----------|--|--|--|--|--|--|--|--|--|--|-----------|
| Shenandoah Longyu Resources Co. Ltd(4) Shandong Bankuang International Company Ltd(4) | | | | | 86 | | | | | | | | | | | | n/ |
| | | | | | 10 | 10 | | | | | | | | | | | n/ |
| | | | | | 96 | 10 | | | | | | | | | | | n/ |

Other affiliates and joint ventures

| | | | | | | | | | | | | | | | | | |
|--------------|--|--|--|--|--------------|--------------|------------|------------|------------|------------|------------|------------|-----------|-----------|------------|------------|-----------|
| | | | | | 10 | 10 | | | | | (1) | | | | | | n/ |
| | | | | | 836 | 645 | 80 | 71 | 110 | 151 | 157 | 72 | 48 | 29 | 120 | 65 | 55 |
| Total | | | | | 1,508 | 1,159 | 220 | 133 | 150 | 353 | 236 | 126 | 69 | 60 | 195 | 121 | 55 |

(1) During 2004 we sold its interest in CST;

- (2) We held a majority of the voting power of several entities that were accounted for under the equity method in accordance with EITF 96-16 due to veto rights held by minority under shareholders agreements;
- (3) Investment includes goodwill of US\$45 in periods presented;
- (4) Preoperating investments.

Table of Contents**8 Pension costs**

| | Three month periods ended | | | Six-month periods ended June 30 | |
|------------------------------------------------|---------------------------|----------------|-------------------|---------------------------------|-------------|
| | June 30, 2005 | March 31, 2005 | June 30, 2004 (*) | 2005 | 2004 (*) |
| Service cost benefits earned during the period | 1 | | | 1 | 1 |
| Interest cost on projected benefit obligation | 60 | 56 | 47 | 116 | 94 |
| Expected return on assets | (75) | (69) | (53) | (144) | (106) |
| Amortization of initial transitory obligation | 2 | 3 | 2 | 5 | 4 |
| Net deferral | (4) | (4) | (6) | (8) | (12) |
| Net periodic pension cost | (16) | (14) | (10) | (30) | (19) |

(*) Based on 2004 annual periodic pension cost.

In addition to benefits provided under the Pension Plan, accruals have been made relative to supplementary health care benefits extended in previous periods as part of early-retirement programs. Such accruals included in long-term liabilities totaled US\$229 and US\$215, at June 30, 2005 and December 31, 2004, respectively, plus US\$44 and US\$34, respectively, in current liabilities.

The cost recognized for the three-month ended June 30, 2005, March 31, 2005, and June 30, 2004 relative to the defined contribution element of the New Plan was US\$2, in each period.

We previously disclosed in our consolidated financial statements for the year ended December 31, 2004, that we expected to contribute US\$16 to our defined benefit pension plan in 2005. As of June 30, 2005, US\$9 of our contributions have been made. We do not expect any change in our previous estimate.

9 Commitments and contingencies

(a) At June 30, 2005, we had extended guarantees for borrowings obtained by affiliates and joint ventures in the amount of US\$6, as follows:

| Affiliate or Joint Venture | Amount of guarantee | Denominated currency | Purpose Debt guarantee | Final maturity | Counter guarantees |
|----------------------------|---------------------|----------------------|------------------------|----------------|--------------------|
| SAMARCO | 5 | US\$ | Debt guarantee | 2008 | None |
| VALESUL | 1 | R\$ | Debt guarantee | 2007 | None |

6

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

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

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

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

| | June 30, 2005 | | December 31, 2004 | |
|---------------------|--------------------------------------------|------------------------------|--------------------------------------------|------------------------------|
| | Provision for contingencies | Judicial deposits | Provision for contingencies | Judicial deposits |
| Labor claims | 256 | 127 | 221 | 109 |
| Civil claims | 204 | 95 | 185 | 72 |
| Tax related actions | 814 | 390 | 473 | 341 |
| Others | 44 | 10 | 35 | 9 |
| | 1,318 | 622 | 914 | 531 |

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

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

Tax related actions principally comprise our challenges of certain income tax, revenue taxes, Value Added Tax and of the tax on checking account transaction CPMF.

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

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

Contingencies settled in the three-month period ended June 30, 2005, March 31, 2005 and June 30, 2004 aggregated US\$56, US\$4 and US\$14, respectively, and additional provisions aggregated US\$44, US\$14 and US\$39, respectively.

In addition to the contingencies for which we have made provisions, we have possible losses in connection with tax contingencies totaling US\$843 at June 30, 2005, for which, no provision is maintained.

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

Pursuant to the Mineral Risk Contract, we and BNDES each agreed to provide US\$205, which represents half of the US\$410 in expenditures estimated as necessary to complete geological exploration and mineral resource development projects in the region. We will oversee these projects and BNDES will advance us half of our costs on a quarterly basis. Under the Mineral Risk Contract, as of June 30, 2005, the remaining contributions towards

exploration and development activities totaled US\$44. In the event that either of us wishes to conduct further exploration and development after having spent such US\$205, the contract provides that each party may either choose to match the other party's contributions, or may choose to have its financial interest proportionally diluted. If a party's participation in the project is diluted to an amount lower than 40% of the amount invested in connection with exploration and development projects, then the Mineral Risk Contract provides that the diluted party will lose all the rights and benefits provided for in the Mineral Risk Contract and

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any amounts previously contributed to the project.

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

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

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

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

| | Three-month periods ended (unaudited) | | | Six-month periods ended June 30 | |
|------------------------------------------------------|------------------------------------------|-------------------|------------------|------------------------------------|-----------|
| | June 30, 2005 | March 31, 2005 | June 30, 2004 | 2005 | 2004 |
| Environmental liabilities beginning of period | 137 | 134 | 82 | 134 | 81 |
| Accretion expense | 10 | 4 | 4 | 14 | 6 |
| Liabilities settled in the current period | (4) | | | (4) | |
| Cumulative translation adjustment | 16 | (1) | (4) | 15 | (5) |
| Environmental liabilities end of period | 159 | 137 | 82 | 159 | 82 |

10 Segment and geographical information

In 1999 we adopted SFAS 131 Disclosures about Segments of an Enterprise and Related Information with respect to the information we present about our operating segments. SFAS 131 introduced a management approach concept for reporting segment information, whereby such information is required to be reported on the basis that the chief decision-maker uses internally for evaluating segment performance and deciding how to allocate resources to segments. Our business segments are currently organized as follows:

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

Non-ferrous products comprises the production of non-ferrous minerals, including potash, kaolin, copper and research of others minerals, mainly nickel.

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

Holdings divided into the following sub-groups:

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

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

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

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Consolidated net income and principal assets are reconciled as follows:

Results by segment before eliminations (Unaudited)

| | | | | | | | | | | | | | | As of and for the |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------------|
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| 206 | 17 | 422 | | (1,476) | 2,708 | 2,059 | 153 | 20 | 445 | | (1,001) | 1,676 | 1,875 | 81 | 22 |
| 42 | 318 | 81 | | (107) | 1,013 | 386 | 49 | 228 | 93 | | (104) | 652 | 364 | 35 | 219 |
| 248 | 335 | 503 | | (1,583) | 3,721 | 2,445 | 202 | 248 | 538 | | (1,105) | 2,328 | 2,239 | 116 | 241 |
| 1,478 | 827 | 1,572 | 126 | | 11,514 | 6,192 | 1,403 | 690 | 1,255 | 1 | | 9,541 | 4,542 | 1,020 | 483 |
| 46 | 52 | 153 | 1 | | 777 | 368 | 29 | 42 | 109 | | | 548 | 165 | 62 | 153 |
| | 75 | 207 | 629 | | 1,508 | 466 | | 66 | 217 | 473 | | 1,222 | 330 | | 56 |
| 1,001 | 827 | 1,079 | 22 | | 9,397 | 5,275 | 918 | 682 | 975 | (27) | | 7,823 | 4,307 | 679 | 449 |

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Table of Contents**Results by segment before eliminations (Unaudited)**

| | 2005 | | | | | | Six-month periods ended June 30, 2005 | | | | | | | |
|-------------------------------------------------------------------------------------------------------------|--------------|-----------|------------|------------|-------------|--------------|---------------------------------------|------------|-----------|------------|------------|------------|--------------|--------------|
| | Non-Holdings | | | Holdings | | | Non-Holdings | | | Holdings | | | | |
| | Ferrous | ferrous | logistics | Aluminum | Other | Eliminations | Consolidated | Ferrous | ferrous | logistics | Aluminum | Other | Eliminations | Consolidated |
| Gross revenues | | | | | | | | | | | | | | |
| Export | 5,598 | 359 | 37 | 867 | | (2,477) | 4,384 | 3,437 | 115 | 41 | 761 | | (1,658) | 2,699 |
| Gross revenues | | | | | | | | | | | | | | |
| Domestic | 1,065 | 91 | 546 | 174 | | (211) | 1,665 | 651 | 63 | 403 | 106 | | (155) | 1,069 |
| Cost and expenses | (4,372) | (365) | (368) | (789) | (12) | 2,688 | (3,218) | (2,960) | (142) | (270) | (612) | | 1,813 | (2,177) |
| Depreciation, depletion and amortization | (194) | (30) | (19) | (22) | | | (265) | (135) | (12) | (15) | (16) | | | (177) |
| Operating (loss) income | 2,097 | 55 | 196 | 230 | (12) | | 2,566 | 993 | 24 | 159 | 239 | | | 1,411 |
| Financial income | 147 | 1 | 19 | 5 | 1 | (117) | 56 | 107 | | 6 | 3 | 2 | (87) | 301 |
| Financial expenses | (288) | (5) | (7) | 40 | | 117 | (143) | (255) | (3) | (9) | (67) | (1) | 87 | (246) |
| Foreign exchange and monetary gains (losses), net | 196 | 6 | (7) | 107 | | | 302 | (234) | (2) | (6) | (48) | 3 | | (288) |
| Equity in results of affiliates and joint ventures and change in provision for losses on equity investments | 180 | | 22 | 36 | 115 | | 353 | 65 | | 14 | 32 | 125 | | 235 |
| Income taxes | (457) | (3) | (10) | (79) | (1) | | (550) | (141) | (4) | (3) | 22 | (3) | | (128) |
| Minority interests | (129) | | | (127) | | | (256) | (45) | | | (64) | | | (105) |
| Net income | 1,746 | 54 | 213 | 212 | 103 | | 2,328 | 490 | 15 | 161 | 117 | 126 | | 900 |
| Results classified by geographic destination: | | | | | | | | | | | | | | |
| Export market | | | | | | | | | | | | | | |
| America, except United States | 550 | | 22 | 187 | | (289) | 470 | 330 | | 33 | 111 | | (201) | 273 |
| United States | 292 | | 3 | 120 | | (198) | 217 | 228 | | | 45 | | (136) | 134 |
| Europe | 2,342 | 175 | 12 | 317 | | (1,044) | 1,802 | 1,516 | 90 | 8 | 361 | | (747) | 1,220 |
| Middle East/Africa/Oceania | 401 | 72 | | 6 | | (126) | 353 | 176 | 1 | | | | (45) | 139 |
| Japan | 545 | 12 | | 195 | | (212) | 540 | 337 | 12 | | 185 | | (166) | 366 |
| China | 1,040 | 38 | | 26 | | (394) | 710 | 538 | 9 | | 59 | | (232) | 370 |
| Other | 428 | 62 | | 16 | | (214) | 292 | 312 | 3 | | | | (131) | 184 |

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|-----------------------------------------------------------------|--------------|--------------|------------|--------------|-----------|----------------|--------------|--------------|------------|------------|------------|----------------|-------------|
| ia, other than pan and China | | | | | | | | | | | | | |
| | 5.598 | 359 | 37 | 867 | | (2.477) | 4.384 | 3,437 | 115 | 41 | 761 | (1,658) | 2,69 |
| domestic market | 1.065 | 91 | 546 | 174 | | (211) | 1.665 | 651 | 63 | 403 | 106 | (155) | 1,06 |
| | 6.663 | 450 | 583 | 1.041 | | (2.688) | 6.049 | 4,088 | 178 | 444 | 867 | (1,813) | 3,76 |
| assets: | | | | | | | | | | | | | |
| roperty, plant and quipment, net | 7.511 | 1.478 | 827 | 1.572 | 126 | | 11.514 | 4,542 | 1,020 | 483 | 826 | 1 | 6,87 |
| ditions to roperty, plant and quipment | 1.007 | 75 | 94 | 262 | | | 1.438 | 322 | 133 | 285 | 57 | | 79 |
| estments in iliated companies d joint ventures d other | | | | | | | | | | | | | |
| estments, net of vision for losses | 597 | | 75 | 207 | 629 | | 1.508 | 330 | | 56 | 195 | 385 | 96 |
| ital employed | 6.468 | 1.001 | 827 | 1.079 | 22 | | 9.397 | 4,307 | 679 | 449 | 816 | 26 | 6,27 |

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Table of Contents

Operating income by product after eliminations (unaudited)

| | | | | | | | | | | Six-month periods ending | | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------------------|--------------|--------------|--------------|----------------|--------------|------------------------------------------|--|--|
| | | | | | | | | | | 2005 | | | | | | | | |
| | | | | | | | | | | Revenues | | | Value | | | Depreciation, depletion and amortization | | |
| | | | | | | | | | | added | | | Net | | | Cost and | | |
| | | | | | | | | | | tax | | | revenues | | | expenses | | |
| | | | | | | | | | | Operating | | | Operating | | | Operating | | |
| | | | | | | | | | | income | | | income | | | income | | |
| | | | | | | | | | | Exp | | | Domestic | | | Exp | | |
| | | | | | | | | | | Total | | | Total | | | Total | | |
| | | | | | | | | | | (111) | | | (1204) | | | (178) | | |
| | | | | | | | | | | (38) | | | (570) | | | (7) | | |
| | | | | | | | | | | (3) | | | (23) | | | 13 | | |
| | | | | | | | | | | (28) | | | (178) | | | (8) | | |
| | | | | | | | | | | (180) | | | (1,975) | | | (193) | | |
| | | | | | | | | | | (12) | | | (164) | | | (30) | | |
| | | | | | | | | | | (19) | | | (193) | | | (12) | | |
| | | | | | | | | | | (2) | | | (183) | | | (10) | | |
| | | | | | | | | | | (21) | | | (397) | | | (22) | | |
| | | | | | | | | | | (64) | | | (215) | | | (17) | | |
| | | | | | | | | | | (19) | | | (59) | | | (1) | | |
| | | | | | | | | | | (4) | | | (44) | | | (2) | | |
| | | | | | | | | | | (87) | | | (318) | | | (20) | | |
| | | | | | | | | | | (64) | | | (61) | | | (61) | | |
| | | | | | | | | | | (300) | | | (2,918) | | | (265) | | |
| | | | | | | | | | | (243) | | | (243) | | | (243) | | |
| | | | | | | | | | | (43) | | | (43) | | | (43) | | |
| 2,559 | 697 | 3,256 | (111) | 3,145 | (1,204) | 1,941 | (178) | 1,763 | 1,384 | 385 | 1,769 | (61) | 1,708 | (779) | 929 | (3) | | |
| 729 | 181 | 910 | (38) | 872 | (570) | 302 | (7) | 295 | 434 | 120 | 554 | (19) | 535 | (379) | 156 | (3) | | |
| 30 | 9 | 39 | (3) | 36 | (23) | 13 | | 13 | 14 | 6 | 20 | (3) | 17 | (14) | 3 | (3) | | |
| 200 | 107 | 307 | (28) | 279 | (178) | 101 | (8) | 93 | 194 | 81 | 275 | (21) | 254 | (158) | 96 | (3) | | |
| 3,518 | 994 | 4,512 | (180) | 4,332 | (1,975) | 2,357 | (193) | 2,164 | 2,026 | 592 | 2,618 | (104) | 2,514 | (1,330) | 1,184 | (3) | | |
| | 61 | 61 | (5) | 56 | (29) | 27 | (4) | 23 | | 54 | 54 | (9) | 45 | (22) | 23 | (3) | | |
| 72 | 12 | 84 | (3) | 81 | (51) | 30 | (9) | 21 | 68 | 10 | 78 | (3) | 75 | (43) | 32 | (3) | | |
| 150 | 18 | 168 | (4) | 164 | (84) | 80 | (17) | 63 | 24 | | 24 | | 24 | (4) | 20 | (3) | | |
| 222 | 91 | 313 | (12) | 301 | (164) | 137 | (30) | 107 | 92 | 64 | 156 | (12) | 144 | (69) | 75 | (3) | | |
| 208 | 38 | 246 | (19) | 227 | (193) | 34 | (12) | 22 | 181 | 6 | 187 | (9) | 178 | (156) | 22 | (3) | | |
| 385 | 19 | 404 | (2) | 402 | (183) | 219 | (10) | 209 | 347 | 12 | 359 | (1) | 358 | (121) | 237 | (3) | | |
| 23 | | 23 | | 23 | (21) | 2 | | 2 | 23 | | 23 | | 23 | (21) | 2 | (3) | | |
| 616 | 57 | 673 | (21) | 652 | (397) | 255 | (22) | 233 | 551 | 18 | 569 | (10) | 559 | (298) | 261 | (3) | | |
| | 391 | 391 | (64) | 327 | (215) | 112 | (17) | 95 | | 286 | 286 | (44) | 242 | (147) | 95 | (3) | | |
| | 106 | 106 | (19) | 87 | (59) | 28 | (1) | 27 | | 83 | 83 | (6) | 77 | (44) | 33 | (3) | | |
| 27 | 24 | 51 | (4) | 47 | (44) | 3 | (2) | 1 | 21 | 21 | 42 | (10) | 32 | (52) | (20) | (3) | | |
| 27 | 521 | 548 | (87) | 461 | (318) | 143 | (20) | 123 | 21 | 390 | 411 | (60) | 351 | (243) | 108 | (3) | | |
| 1 | 2 | 3 | | 3 | (64) | (61) | | (61) | 6 | 4 | 10 | (2) | 8 | (43) | (35) | (3) | | |
| 4,384 | 1,665 | 6,049 | (300) | 5,749 | (2,918) | 2,831 | (265) | 2,566 | 2,696 | 1,068 | 3,764 | (188) | 3,576 | (1,983) | 1,593 | (3) | | |

Table of Contents**11 Derivative financial instruments**

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

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

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

| | Interest rates (LIBOR) | Currencies | Gold | Alumina | Aluminum | Total |
|--------------------------------------------------------|---------------------------------------|-------------------|-------------|----------------|-----------------|--------------|
| Unrealized gains (losses) at April 1, 2005 | (12) | 3 | (31) | (50) | (113) | (203) |
| Financial settlement | 4 | | 2 | 9 | 9 | 24 |
| Unrealized gains (losses) in the period | | (1) | 3 | 24 | 59 | 85 |
| Effect of exchange rate changes | (1) | | (4) | (5) | (9) | (19) |
| Unrealized gains (losses) at June 30, 2005 | (9) | 2 | (30) | (22) | (54) | (113) |
| Unrealized gains (losses) at January 1, 2005 | (17) | 4 | (37) | (55) | (127) | (232) |
| Financial settlement | 3 | | 2 | 8 | 10 | 23 |
| Unrealized gains (losses) in the period | 2 | (1) | 3 | (3) | 4 | 5 |
| Effect of exchange rate changes | | | 1 | | | 1 |
| Unrealized gains (losses) at March 31, 2005 | (12) | 3 | (31) | (50) | (113) | (203) |
| Unrealized gains (losses) at April 1, 2004 | (48) | 1 | (37) | (36) | (43) | (163) |
| Financial settlement | 11 | | 1 | | | 12 |
| Unrealized gains (losses) in the period | 5 | | 9 | 4 | 4 | 22 |
| | 2 | | 2 | 2 | 2 | 8 |

Effect of exchange rate
changes

| | | | | | | |
|-------------------------------------------------------|-------------|----------|-------------|-------------|-------------|--------------|
| Unrealized gains (losses) at June 30, 2004 | (30) | 1 | (25) | (30) | (37) | (121) |
| Unrealized gains (losses) at January 1, 2005 | (17) | 4 | (37) | (55) | (127) | (232) |
| Financial settlement | 7 | | 4 | 17 | 19 | 47 |
| Unrealized gains (losses) in the period | 2 | (2) | 6 | 21 | 63 | 90 |
| Effect of exchange rate changes | (1) | | (3) | (5) | (9) | (18) |
| Unrealized gains (losses) at June 30, 2005 | (9) | 2 | (30) | (22) | (54) | (113) |
| Unrealized gains (losses) at January 1, 2004 | (46) | 5 | (32) | (18) | | (91) |
| Initial consolidation of Albras | | | | | (20) | (20) |
| Financial settlement | 14 | (2) | 1 | | | 13 |
| Unrealized gains (losses) in the period | (1) | (2) | 4 | (14) | (19) | (32) |
| Effect of exchange rate changes | 3 | | 2 | 2 | 2 | 9 |
| Unrealized gains (losses) at June 30, 2004 | (30) | 1 | (25) | (30) | (37) | (121) |

Unrealized gains (losses) in the period are included in our income statement under the caption of financial expenses and foreign exchange on liabilities.

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Final maturity dates for the above instruments are as follows:

| | |
|------------------------|---------------|
| Interest rates (LIBOR) | October 2007 |
| Currencies | December 2011 |
| Gold | December 2008 |
| Alumina | December 2008 |
| Aluminum | December 2008 |

* * *

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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 16, 2005

By: /s/ Fabio de Oliveira Barbosa

Fabio de Oliveira Barbosa
Chief Financial Officer